

OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:)
) Docket No.: R2006-1
POSTAL RATE AND FEE CHANGES)

VOLUME #13

2006 AUG 23 PM 2:45
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Date: August 22, 2006
Place: Washington, D.C.
Pages: 3571 through 3869

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POSTAL RATE COMMISSION

In the Matter of:)
) Docket No.: R2006-1
POSTAL RATE AND FEE CHANGES)

Suite 200
Postal Rate Commission
901 New York Avenue, N.W.
Washington, D.C.

Volume 13
Tuesday, August 22, 2006

The above-entitled matter came on for hearing pursuant to notice, at 9:33 a.m.

BEFORE:

HON. GEORGE A. OMAS, CHAIRMAN
HON. DAWN A. TISDALE, VICE-CHAIRMAN
HON. TONY HAMMOND, COMMISSIONER
HON. RUTH Y. GOLDWAY, COMMISSIONER
HON. MARK ACTON, COMMISSIONER

APPEARANCES:

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C O N T E N T S

WITNESSES APPEARING:

PAUL RIDDLE (Not Present)
 DENNIS P. STEVENS (Not Present)
 DANIEL TALMO (Not Present)
 THOMAS W. HARAUSH (No Present)
 JOYCE K. COOMBS
 MICHAEL D. BRADLEY

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
Joyce K. Coombs	3645	--	--	--	--
by Mr. Morgan	--	3734	--	--	--
by Mr. Olson	--	3740	--	--	--
by Mr. Baker	--	3773	--	--	--
by Mr. Costich	--	3775	--	--	--
Michael Bradley	3782	--	--	--	--
by Mr. McKeever	--	3815	--	--	--
by Mr. Olson	--	3830	--	--	--
by Mr. Costich	--	3861	--	--	--

<u>DOCUMENTS TRANSCRIBED INTO THE RECORD</u>	<u>PAGE</u>
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Designated written cross-examination of Dennis P. Stevens, USPS-T-19	3596
Corrected designated written cross-examination of Daniel Talmo, USPS-T-27	3604
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Corrected designated written cross-examination of Joyce K. Coombs, USPS-T-44	3649
Corrected designated written cross-examination of Michael D. Bradley, USPS-T-14	3785

E X H I B I T S

<u>EXHIBITS AND/OR TESTIMONY</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
Corrected direct testimony of Paul Riddle on behalf of the United States Postal Service, USPS-T-5	3579	3579
Corrected designated written cross-examination of Paul Riddle, USPS-T-5	3579	3579
Corrected direct testimony of Dennis P. Stevens on behalf of the United States Postal Service, USPS-T-19	3595	3595
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Corrected direct testimony of Daniel Talmo on behalf of the United States Postal Service, USPS-T-27	3602	3602
Corrected designated written cross-examination of Daniel Talmo, USPS-T-27	3603	3603
Corrected direct testimony of Thomas W. Harahush on behalf of the United States Postal Service, USPS-T-4	3620	3620
Corrected designated written cross-examination of Thomas W. Harahush USPS-T-4	3621	3621
Corrected direct testimony of Joyce K. Coombs on behalf of the United States Postal Service, USPS-T-44	3646	3647
Corrected designated written cross-examination of Joyce K. Coombs, USPS-T-44	3648	3648

E X H I B I T S

<u>EXHIBITS AND/OR TESTIMONY</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
Corrected direct testimony of Michael D. Bradley on behalf of the United States Postal Service, USPS-T-14	3782	3783
Corrected designated written cross-examination of Michael D. Bradley USPS-T-14	3784	3784

P R O C E E D I N G S

(9:33 a.m.)

CHAIRMAN OMAS: Good morning. Today we continue to receive testimony of Postal Service witnesses in support of Docket No. R2006-1, Request for Rate and Fee Changes.

Does anyone have a procedural matter they would like to discuss this morning at this point before we continue?

(No response.)

CHAIRMAN OMAS: Six witnesses are scheduled to appear today. They are Witnesses Riddle, Stevens, Talmo, Harahush, Coombs and Bradley.

Our first witness is Paul Riddle. There are no requests for oral cross-examination of this witness.

Mr. Hollies, will you proceed to move for admission of his testimony into the evidentiary record?

MR. HOLLIES: Thank you, Mr. Chairman, and good morning.

CHAIRMAN OMAS: Good morning.

MR. HOLLIES: The Postal Service moves for the acceptance into the evidentiary record of the Direct Testimony of Paul Riddle on Behalf of the

1 United States Postal Service. It is designated as
2 USPS-T-5.

3 I have two copies of that here to hand to
4 the report.

5 In addition, I have the two sets of his
6 designated written cross-examination that were
7 prepared for Witness Riddle's review this morning. He
8 has reviewed those. They are complete. They are
9 accurate.

10 Finally, I have two original executed
11 declarations from Witness Riddle indicating that were
12 he to testify orally today both his direct testimony
13 and his written cross-examination reflect the
14 responses he would provide.

15 With that, I would move into evidence
16 therefore both his direct testimony and his written
17 cross-examination and ask that they be admitted into
18 the evidentiary record.

19 CHAIRMAN OMAS: Is there any objection?

20 (No response.)

21 CHAIRMAN OMAS: Hearing none, I will direct
22 counsel to provide the reporter with two copies of the
23 corrected direct testimony of Paul Riddle.

24 That testimony is received into evidence.
25 However, as is our practice, it will not be

1 transcribed.

2 (The document referred to was
3 marked for identification as
4 Exhibit No. USPS-T-5 and was
5 received in evidence.)

6 CHAIRMAN OMAS: Mr. Hollies, have the
7 answers to the designated written cross-examination
8 been reviewed and corrected?

9 MR. HOLLIES: Yes, they are, and they are
10 accurate in all respects.

11 CHAIRMAN OMAS: Okay. Please provide two
12 copies of the corrected designated written cross-
13 examination of Witness Riddle to the reporter.

14 That material is received into evidence and
15 is to be transcribed into the record.

16 (The document referred to was
17 marked for identification as
18 Exhibit No. USPS-T-5 and was
19 received in evidence.)

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21 //

22 //

23 //

24 //

25 //

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS PAUL RIDDLE
(USPS-T-5)

Party

Interrogatories

Postal Rate Commission

NAA/USPS-T5-1-2

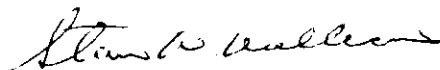
PRC/USPS-POIR No.5 - Q6-7 redirected to T5

VP/USPS-T4-4b, 6 redirected to T5

Valpak Direct Marketing Systems,
Inc. and Valpak Dealers'
Association Inc.

VP/USPS-T4-4b, 6 redirected to T5

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS PAUL RIDDLE (T-5)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

NAA/USPS-T5-1

PRC

NAA/USPS-T5-2

PRC

PRC/USPS-POIR No.5 - Q6 redirected to T5

PRC

PRC/USPS-POIR No.5 - Q7 redirected to T5

PRC

VP/USPS-T4-4b redirected to T5

PRC, Valpak

VP/USPS-T4-6 redirected to T5

PRC, Valpak

RESPONSE OF PAUL RIDDLE TO INTERROGATORY FROM
THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T5-1: Please refer to Table 4 of your testimony. Is it a correct interpretation of Table 4 that approximately 46 percent ($0.1087 + 0.3528$) of FY2005 flat-shaped mail that generated rural carrier costs consisted of Standard Enhanced Carrier Route mail? If not, please provide the most accurate characterization of this table.

RESPONSE:

Not confirmed. A correct interpretation of Table 4 is that approximately 46 percent ($0.1087 + 0.3528$) of FY2005 mail in the *flats compensation category* that generated rural carrier costs consisted of Standard Enhanced Carrier Route mail. As stated on page 2 of my testimony, estimates are developed by compensation categories. Therefore, Table 4 would not include accountable or Boxholder flat-shaped mail.

RESPONSE OF PAUL RIDDLE TO INTERROGATORY FROM
THE NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T5-2: Please refer to Table 4 of your testimony. Are data available to separate the "ECR All Other" category into "High Density" and "Basic"? If so, please provide that data or explain where it can be found.

RESPONSE:

Data are available to separate the "ECR All Other" category into "High Density" and "Basic" in the LOTUS.RURAL.FY2005.FY05MC.DATA file provided in USPS-LR-L-12. The file layout is provided on page 28 of the USPS-LR-L-12 documentation. Of the 35.28 percent of ECR All Other in Table 4, 31.47 percent are ECR Basic, 0.56 percent are ECR Basic Auto, and 3.24 percent are ECR High Density.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAUL RIDDLE
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 5 (AS CORRECTED)

POIR5, Q6. This question seeks information on the distribution of mail volumes listed in USPS-LR-L-12.

- a. Please provide a table listing the rate category names for the following codes listed in LOTUS.RURAL.FY2005.FY05MC.DATA.
- b. Please provide a table that assigns a shape category listed in B_Workpapers, file CS10.xls, worksheet "Inputs DK," (e.g. DPS, LETTERS, SEC SEG LETTERS, OTHER LETTERS, FLATS DEL, PARCELS DEL, BOXHLDRS DEL, ACCTBLS DEL, POSTAGE DUE) to the "rate category codes" listed in question 6.a. Please name those rate categories that do not have a shape that matches the shapes in question 6.b. as "No Shape Match."

111, 112, 113, 114, 115, 116, 117, 118, 119, 121, 122, 123, 124, 125, 126, 127, 128, 129, 131, 132, 133, 134, 135, 136, 138, 139, 141, 142, 143, 144, 145, 146, 151, 152, 153, 156, 157, 158, 159, 161, 162, 163, 164, 171, 172, 173, 176, 181, 182, 183, 193, 201, 202, 203, 204, 205, 206, 208, 209, 301, 302, 303, 304, 305, 306, 307, 308, 411, 412, 413, 414, 415, 416, 417, 418, 421, 422, 423, 424, 425, 426, 427, 428, 431, 432, 433, 434, 435, 436, 437, 441, 442, 443, 444, 445, 447, 451, 452, 453, 454, 457, 461, 462, 463, 464, 465, 467, 511, 512, 513, 514, 515, 516, 518, 521, 522, 523, 524, 525, 528, 541, 542, 543, 544, 545, 546, 547, 603, 604, 605, 606, 608, 609, 711, 712, 713, 714, 715, 717, 718, 719, 721, 723, 724, 725, 811, 812, 813, 814, 815, 816, 819, 824, 825, 911, 912, 913, 914, 915, 916, 919, 921, 922, 923, 924, 925, 931, 933, 934, 935, 943, 944, 945, 11A, 11B, 11C, 11D, 11E, 11F, 12E, 13E, 14E, 15D, 15E, 20A, 20B, 20C, 20D, 20E, 20F, 41A, 41D, 41E, 41F, 42D, 42E, 44E, 45E, 51A, 51C, 51D, 51E, 51F, 52A, 52C, 52D, 52E, 52F, 54A, 54D, 54E, 60C, 71B, 71C, 71D, 71E, 81B, 81E, 82B, 82C, 82D, 82E, 91B, 91E, 91F, 92B, 92C, 92E, 92F, 93B, 93C, 93D, 93E, 93F, 94B, 94D, 94E, A01, A03, A04, A05, A09, A0E.

RESPONSE:

Please see POIR5 Q6.xls, attached. Included are all mailcodes and volumes from LOTUS RURAL FY2005.FY05MC., along with their mapping to rate category variable "InputDK Rate Category" and shape category variable "InputDK Shape Category", used in B_Workpapers, file CS10.xls, worksheet "Inputs DK".

Vol 10001	Mailcode	Bucket	Mailcode Description	InputsDK Rate Category	InputsDK Shape Category
	5	ACE	55 OTHER DELIVERY CONFIRMATION	Other	No Shape Match
	58	AC1	55 OTHER OPS LETTER	Other	No Shape Match
	172	A03	55 OTHER OTHER LETTER	Other	No Shape Match
	2147	A04	55 OTHER FLAT	Other	No Shape Match
	10	A05	55 OTHER PARCEL	Other	No Shape Match
	13	A09	55 OTHER CERTIFIED	Certified	Acctbls Del
	1070	11A	2 FIRST CLASS LFP SINGLE PIECE NUMBERED INSURED	Insured	Acctbls Del
	708	11B	2 FIRST CLASS LFP SINGLE PIECE REGISTERED	Registered	Acctbls Del
	164	11C	2 FIRST CLASS LFP SINGLE PIECE COD AND CUSTOMS DUE	First Class Single Piece	No Shape Match
	222	11D	2 FIRST CLASS LFP SINGLE PIECE PARCELS PDU	First Class Single Piece	Parcels Del & Postage Due
	18242	11E	2 FIRST CLASS LFP SINGLE PIECE DELIVERY CONFIRMATION	First Class Single Piece	Parcels Del
	490	11F	2 FIRST CLASS LFP SINGLE PIECE SIGNATURE CONFIRMATION	Other	Acctbls Del
	4886183	111	2 FIRST CLASS LFP SINGLE PIECE OPS LETTER	First Class Single Piece	OPS Letters
	103682	112	2 FIRST CLASS LFP SINGLE PIECE SECTOR SEG LETTER	First Class Single Piece	Sec Seg Letters
	1988021	113	2 FIRST CLASS LFP SINGLE PIECE OTHER LETTER	First Class Single Piece	Other Letters
	641817	114	2 FIRST CLASS LFP SINGLE PIECE FLAT	First Class Single Piece	Flats Del
	108948	115	2 FIRST CLASS LFP SINGLE PIECE PARCEL	First Class Single Piece	Parcels Del
	692	116	2 FIRST CLASS LFP SINGLE PIECE DIRECT BUNDLE	First Class Single Piece	Parcels Del
	337	117	2 FIRST CLASS LFP SINGLE PIECE BOXHOLDER	First Class Single Piece	Boxhlrs Del
	5317	118	2 FIRST CLASS LFP SINGLE PIECE PDU EXCL PDU PARCEL	First Class Single Piece	Postage Due
	35975	119	2 FIRST CLASS LFP SINGLE PIECE CERTIFIED	Certified	Acctbls Del
	140	12E	3 FIRST CLASS LFP NONAUTO PRESORTED DELIVERY CONFIRMATION	First Class Presort	Parcels Del
	1955295	121	3 FIRST CLASS LFP NONAUTO PRESORTED OPS LETTER	First Class Presort	OPS Letters
	50404	122	3 FIRST CLASS LFP NONAUTO PRESORTED SECTOR SEG LETTER	First Class Presort	Sec Seg Letters
	666102	123	3 FIRST CLASS LFP NONAUTO PRESORTED OTHER LETTER	First Class Presort	Other Letters
	83361	124	3 FIRST CLASS LFP NONAUTO PRESORTED FLAT	First Class Presort	Flats Del
	2557	125	3 FIRST CLASS LFP NONAUTO PRESORTED PARCEL	First Class Presort	Parcels Del
	47	126	3 FIRST CLASS LFP NONAUTO PRESORTED DIRECT BUNDLE	First Class Presort	Parcels Del
	4618	127	3 FIRST CLASS LFP NONAUTO PRESORTED BOXHOLDER	First Class Presort	Boxhlrs Del
	13	128	3 FIRST CLASS LFP NONAUTO PRESORTED PDU EXCL PDU PARCEL	First Class Presort	Postage Due
	243	129	3 FIRST CLASS LFP NONAUTO PRESORTED CERTIFIED	Certified	Acctbls Del
	88	13E	3 FIRST CLASS LFP AUTOMATION NONCARRIER DELIVERY CONFIRM	First Class Presort	Parcels Del
	8221936	131	3 FIRST CLASS LFP AUTOMATION NONCARRIER OPS LETTER	First Class Presort	OPS Letters
	136629	132	3 FIRST CLASS LFP AUTOMATION NONCARRIER SECTOR SEG LETTER	First Class Presort	Sec Seg Letters
	1845333	133	3 FIRST CLASS LFP AUTOMATION NONCARRIER OTHER LETTER	First Class Presort	Other Letters
	140504	134	3 FIRST CLASS LFP AUTOMATION NONCARRIER FLAT	First Class Presort	Flats Del
	430	135	3 FIRST CLASS LFP AUTOMATION NONCARRIER PARCEL	First Class Presort	Parcels Del
	127	136	3 FIRST CLASS LFP AUTOMATION NONCARRIER DIRECT BUNDLE	First Class Presort	Parcels Del
	192	138	3 FIRST CLASS LFP AUTOMATION NONCARRIER PDU EXCL PDU PARCE	First Class Presort	Postage Due
	1300	139	3 FIRST CLASS LFP AUTOMATION NONCARRIER CERTIFIED	Certified	Acctbls Del
	18	14E	3 FIRST CLASS LFP AUTOMATION CARRIER DELIVERY CONFIRMATION	First Class Presort	Parcels Del
	181541	141	3 FIRST CLASS LFP AUTOMATION CARRIER OPS LETTER	First Class Presort	OPS Letters
	11758	142	3 FIRST CLASS LFP AUTOMATION CARRIER SECTOR SEG LETTER	First Class Presort	Sec Seg Letters
	1006611	143	3 FIRST CLASS LFP AUTOMATION CARRIER OTHER LETTER	First Class Presort	Other Letters
	1519	144	3 FIRST CLASS LFP AUTOMATION CARRIER FLAT	First Class Presort	Flats Del
	3	145	3 FIRST CLASS LFP AUTOMATION CARRIER PARCEL	First Class Presort	Parcels Del
	3	146	3 FIRST CLASS LFP AUTOMATION CARRIER DIRECT BUNDLE	First Class Presort	Parcels Del
	3	15D	4 FIRST CLASS POST CARD SINGLE PIECE PARCELS PDU	First Class Single Piece Card	Parcels Del & Postage Due
	10	15E	4 FIRST CLASS POST CARD SINGLE PIECE DELIVERY CONFIRMATION	First Class Single Piece Card	Parcels Del

Vol. (000)	Mailcode	Bucket	Mailcode Description	Inputs/DK Rate Category	Inputs/DK Shape Category
405996	151	4	FIRST CLASS POST CARD SINGLE PIECE DPS LETTER	First Class Single Piece Card	DPS Letters
8622	152	4	FIRST CLASS POST CARD SINGLE PIECE CARRIER LETTER	First Class Single Piece Card	Sec Seg Letters
311262	153	4	FIRST CLASS POST CARD SINGLE PIECE OTHER LETTER	First Class Single Piece Card	Other Letters
27	156	4	FIRST CLASS POST CARD SINGLE PIECE DIRECT BUNDLE	First Class Single Piece Card	Parcels Del
2432	157	4	FIRST CLASS POST CARD SINGLE PIECE BOXHOLDER	First Class Single Piece Card	Boxhdrs Del
101	158	4	FIRST CLASS POST CARD SINGLE PIECE DIRECT BUNDLE	First Class Single Piece Card	Postage Due
17	159	4	FIRST CLASS POST CARD SINGLE PIECE CERTIFIED	Certified	Accbils Del
12183	161	5	FIRST CLASS POST CARD NON-AUTO PRESORT DPS LETTER	First Class Presort Card	DPS Letters
3266	162	5	FIRST CLASS POST CARD NON-AUTO PRESORT SECTOR SEG LETTER	First Class Presort Card	Sec Seg Letters
82582	163	5	FIRST CLASS POST CARD NON-AUTO PRESORT OTHER LETTER	First Class Presort Card	Other Letters
17	164	5	FIRST CLASS POST CARD NON-AUTO PRESORT FLAT	First Class Presort Card	Flats Del
392491	171	5	FIRST CLASS POST CARD AUTO NON-CARRIER DPS LETTER	First Class Presort Card	DPS Letters
1695	172	5	FIRST CLASS POST CARD AUTO NON-CARRIER SECTOR SEG LETTER	First Class Presort Card	Sec Seg Letters
101930	173	5	FIRST CLASS POST CARD AUTO NON-CARRIER OTHER LETTER	First Class Presort Card	Other Letters
4	176	5	FIRST CLASS POST CARD AUTO NON-CARRIER DIRECT BUNDLE	First Class Presort Card	Parcels Del
17239	181	5	FIRST CLASS POST CARD AUTO CARRIER DPS LETTER	First Class Presort Card	DPS Letters
252	182	5	FIRST CLASS POST CARD AUTO CARRIER SECTOR SEG LETTER	First Class Presort Card	Sec Seg Letters
13011	183	5	FIRST CLASS POST CARD AUTO CARRIER OTHER LETTER	First Class Presort Card	Other Letters
34	183	9	FIRST CLASS MAILGRAM OTHER LETTER	Mailgram	Other Letters
4311	224	7	PRIORITY NUMBERED INSURED	Insured	Accbils Del
105	228	7	PRIORITY REGISTERED	Registered	No Shape March
109	230	7	PRIORITY COD AND CUSTOMS DUE	Priority Mail	Parcels Del & Postage Due
85	200	7	PRIORITY PARCELS PDU	Priority Mail	Parcels Del
48905	206	7	PRIORITY DELIVERY CONFIRMATION	Priority Mail	Accbils Del
786	206	7	PRIORITY SIGNATURE CONFIRMATION	Priority Mail	Accbils Del
1648	201	7	PRIORITY OPS LETTER	Priority Mail	DPS Letters
34	202	7	PRIORITY SECTOR SEG LETTER	Priority Mail	Sec Seg Letters
2673	203	7	PRIORITY OTHER LETTER	Priority Mail	Other Letters
43569	204	7	PRIORITY FLAT	Priority Mail	Flats Del
82452	205	7	PRIORITY PARCEL	Priority Mail	Parcels Del
38	206	7	PRIORITY DIRECT BUNDLE	Priority Mail	Parcels Del
47	208	7	PRIORITY PDU EXCL PDU PARCEL	Priority Mail	Postage Due
517	209	7	PRIORITY CERTIFIED	Certified	Accbils Del
15602	301	10	PERIODICALS DPS LETTER	Periodicals	DPS Letters
1890	302	10	PERIODICALS SECTOR SEG LETTER	Periodicals	Sec Seg Letters
99723	303	10	PERIODICALS OTHER LETTER	Periodicals	Other Letters
2721016	304	10	PERIODICALS FLAT	Periodicals	Flats Del
4978	305	10	PERIODICALS PARCEL	Periodicals	Parcels Del
457	306	10	PERIODICALS DIRECT BUNDLE	Periodicals	Parcels Del
5959	307	10	PERIODICALS BOXHOLDER	Periodicals	Boxhdrs Del
3	308	10	PERIODICALS PDU EXCL PDU PARCEL	Periodicals	Postage Due
17	41A	15	STD REGULAR PRESORT NON-AUTOMATION NUMBERED INSURED	Insured	Accbils Del
47	41D	15	STD REGULAR PRESORT NON-AUTOMATION PARCELS PDU	Presorted Standard Regular Other	Parcels Del & Postage Due
13666	41E	15	STD REGULAR PRESORT NON-AUTOMATION DELIVERY CONFIRMATION	Presorted Standard Regular Other	Parcels Del
7	41F	15	STD REGULAR PRESORT NON-AUTOMATION SIGNATURE CONFIRMATION	Other	Accbils Del
1804072	411	15	STD REGULAR PRESORT NON-AUTOMATION DPS LETTER	Presorted Standard Regular Other	DPS Letters
38326	412	15	STD REGULAR PRESORT NON-AUTOMATION SECTOR SEG LETTER	Presorted Standard Regular Other	Sec Seg Letters
889729	413	15	STD REGULAR PRESORT NON-AUTOMATION OTHER LETTER	Presorted Standard Regular Other	Other Letters
672400	414	15	STD REGULAR PRESORT NON-AUTOMATION OTHER LETTER	Presorted Standard Regular Other	Flats Del
171465	415	15	STD REGULAR PRESORT NON-AUTOMATION FLAT	Presorted Standard Regular Other	Parcels Del
121	416	15	STD REGULAR PRESORT NON-AUTOMATION PARCEL	Presorted Standard Regular Other	Parcels Del
248218	417	15	STD REGULAR PRESORT NON-AUTOMATION DIRECT BUNDLE	Presorted Standard Regular Other	Boxhdrs Del
177	418	15	STD REGULAR PRESORT NON-AUTOMATION BOXHOLDER	Presorted Standard Regular Other	Postage Due
177	418	15	STD REGULAR PRESORT NON-AUTOMATION PDU EXCL PDU PARCEL	Presorted Standard Regular Other	Postage Due

Vol. 10001	Mailcode	Bucket	Mailcode Description	InputsDK Rate Category	InputsDK Shape Category
5482	524	24	PKG SVCS MEDIA & LIBRARY FLAT	Package Services Media & Library Mail	Flats Del
26278	525	24	PKG SVCS MEDIA & LIBRARY PARCEL	Package Services Media & Library Mail	Parcels Del
7	528	24	PKG SVCS MEDIA & LIBRARY PDU EXCL PDU PARCEL	Package Services Media & Library Mail	Postage Due
3	54A	26	PKG SVCS BPM NUMBERED INS. REC	Insured	Accbils Del
94	54D	26	PKG SVCS BPM PARCELS PDU AND COD	Package Services Bound Printed Matter	Parcels Del & Postage Due
6087	54E	26	PKG SVCS BPM DELIVERY CONFIRMATION	Package Services Bound Printed Matter	Parcels Del
161	541	26	PKG SVCS BPM DPS LETTER	Package Services Bound Printed Matter	DPS Letters
40	542	26	PKG SVCS BPM SECTOR SEG LETTER	Package Services Bound Printed Matter	Sec Seg Letters
560	543	26	PKG SVCS BPM OTHER LETTER	Package Services Bound Printed Matter	Other Letters
75439	544	26	PKG SVCS BPM FLAT	Package Services Bound Printed Matter	Flats Del
67069	545	26	PKG SVCS BPM PARCEL	Package Services Bound Printed Matter	Parcels Del
206	546	26	PKG SVCS BPM DIRECT BUNDLE	Package Services Bound Printed Matter	Parcels Del
6977	547	26	PKG SVCS BPM BOXHOLDER	Package Services Bound Printed Matter	Boxholders Del
7	60C	8	EXPRESS COD AND CUSTOMS DUE	Express Mail	No Shape Match
89	603	8	EXPRESS OTHER LETTER	Express Mail	Accbils Del
3298	604	8	EXPRESS FLAT	Express Mail	Accbils Del
1383	605	8	EXPRESS PARCEL	Express Mail	Accbils Del
10	606	8	EXPRESS DIRECT BUNDLE	Express Mail	Accbils Del
3	608	8	EXPRESS PDU EXCL PDU PARCEL	Express Mail	Accbils Del
3	609	8	EXPRESS CERTIFIED	Certified	Accbils Del
31	71B	28	USPS/FREE USPS REGISTERED	United States Postal Service	Accbils Del
7	71C	28	USPS/FREE USPS COD AND CUSTOMS DUE	United States Postal Service	No Shape Match
3	71D	28	USPS/FREE USPS PARCELS PDU	United States Postal Service	Parcels Del & Postage Due
174	71E	28	USPS/FREE USPS DELIVERY CONFIRMATION	United States Postal Service	Parcels Del
14807	711	28	USPS/FREE USPS DPS LETTER	United States Postal Service	DPS Letters
1607	712	28	USPS/FREE USPS SECTOR SEG LETTER	United States Postal Service	Sec Seg Letters
28263	713	28	USPS/FREE USPS OTHER LETTER	United States Postal Service	Other Letters
3930	714	28	USPS/FREE USPS FLAT	United States Postal Service	Flats Del
565	715	28	USPS/FREE USPS PARCEL	United States Postal Service	Parcels Del
47791	717	28	USPS/FREE USPS BOXHOLDER	United States Postal Service	Boxholders Del
825	718	28	USPS/FREE USPS PDU EXCL PDU PARCEL	United States Postal Service	Postage Due
21	719	28	USPS/FREE USPS CERTIFIED	Certified	Accbils Del
2115	721	29	USPS/FREE FREE DPS LETTER	Free Mail	DPS Letters
3037	723	29	USPS/FREE FREE OTHER LETTER	Free Mail	Other Letters
2697	724	29	USPS/FREE FREE FLAT	Free Mail	Flats Del
3793	725	29	USPS/FREE FREE PARCEL	Free Mail	Parcels Del
58	81B	31	INTL ECONOMY LETTER POST REGISTERED	International	Accbils Del
13	81E	31	INTL ECONOMY LETTER POST DELIVERY CONFIRMATION	International	Parcels Del
5939	811	31	INTL ECONOMY LETTER POST DPS LETTER	International	DPS Letters
17	812	31	INTL ECONOMY LETTER POST SECTOR SEG LETTER	International	Sec Seg Letters
3282	813	31	INTL ECONOMY LETTER POST OTHER LETTER	International	Other Letters
3045	814	31	INTL ECONOMY LETTER POST FLAT	International	Flats Del
285	815	31	INTL ECONOMY LETTER POST PARCEL	International	Parcels Del
3	816	31	INTL ECONOMY LETTER POST DIRECT BUNDLE	International	Parcels Del
3	819	31	INTL ECONOMY LETTER POST CERTIFIED	Certified	Accbils Del
33	82B	32	INTL ECONOMY PARCEL POST REGISTERED	International	Accbils Del
3	82C	32	INTL ECONOMY PARCEL POST COD AND CUSTOMS DUE	International	No Shape Match
3	82D	32	INTL ECONOMY PARCEL POST PARCELS PDU	International	Parcels Del & Postage Due
30	82E	32	INTL ECONOMY PARCEL POST DELIVERY CONFIRMATION	International	Accbils Del
194	824	32	INTL ECONOMY PARCEL POST FLAT	International	Accbils Del
1339	825	32	INTL ECONOMY PARCEL POST PARCEL	International	Accbils Del
1010	91B	36	INTL AIR LETTER POST REGISTERED	International	Accbils Del
75	91E	36	INTL AIR LETTER POST DELIVERY CONFIRMATION	International	Parcels Del
7	91F	36	INTL AIR LETTER POST SIGNATURE CONFIRMATION	International	Accbils Del
26187	911	36	INTL AIR LETTER POST DPS LETTER	International	DPS Letters
321	912	36	INTL AIR LETTER POST SECTOR SEG LETTER	International	Sec Seg Letters

Vol (000)	Mailcode	Bucket	Mailcode Description	Input/DK Rate Category	Input/DK Shape Category
13404	913	36	INTL AIR LETTER POST OTHER LETTER	International	Other Letters
8019	914	36	INTL AIR LETTER POST FLAT	International	Flats Del
2413	915	36	INTL AIR LETTER POST PARCEL	International	Parcels Del
3	916	36	INTL AIR LETTER POST DIRECT BUYLE	International	Parcels Del
10	919	36	INTL AIR LETTER POST CERTIFIED	International	Accbils Del
265	928	37	INTL AIR PARCEL POST REGISTERED	International	Accbils Del
3	928	37	INTL AIR PARCEL POST COD AND CUSTOMS DUE	International	No Shape Match
231	92E	37	INTL AIR PARCEL POST DELIVERY CONFIRMATION	International	Accbils Del
7	92F	37	INTL AIR PARCEL POST SIGNATURE CONFIRMATION	International	Accbils Del
3	921	37	INTL AIR PARCEL POST OPS LETTER	International	Accbils Del
10	922	37	INTL AIR PARCEL POST SECTOR SEG LETTER	International	Accbils Del
58	923	37	INTL AIR PARCEL POST OTHER LETTER	International	Accbils Del
140	924	37	INTL AIR PARCEL POST FLAT	International	Accbils Del
3018	925	37	INTL AIR PARCEL POST PARCEL	International	Accbils Del
88	93B	38	INTL AIR EXPRE PRIOR REGISTERED	International	No Shape Match
3	93C	38	INTL AIR EXPRE PRIOR COD AND CUSTOMS DUE	International	Parcels Del & Postage Due
3	93D	38	INTL AIR EXPRE PRIOR PARCELS PDU	International	Parcels Del
308	93E	38	INTL AIR EXPRE PRIOR DELIVERY CONFIRMATION	International	Accbils Del
3	93F	38	INTL AIR EXPRE PRIOR SIGNATURE CONFIRMATION	International	Accbils Del
38	931	38	INTL AIR EXPRE PRIOR OPS LETTER	International	Other Letters
157	933	38	INTL AIR EXPRE PRIOR OTHER LETTER	International	Other Letters
230	934	38	INTL AIR EXPRE PRIOR FLAT	International	Flats Del
524	935	38	INTL AIR EXPRE PRIOR PARCEL	International	Parcels Del
7	94B	39	INTL AIR EXPRESS REGISTERED	International	Accbils Del
3	94D	39	INTL AIR EXPRESS PARCELS PDU	International	Postage Due
37	94E	39	INTL AIR EXPRESS DELIVERY CONFIRMATION	International	Parcels Del
7	943	39	INTL AIR EXPRESS OTHER LETTER	International	Other Letters
61	944	39	INTL AIR EXPRESS FLAT	International	Flats Del
177	945	39	INTL AIR EXPRESS PARCEL	International	Parcels Del

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAUL RIDDLE
TO PRESIDING OFFICER'S INFORMATION REQUEST No. 5 (AS CORRECTED)

POIR5, Q7. Please provide a table, using LOTUS.RURAL.FY2005.FY05MC.DATA, which shows the mail volume for each of the rate category codes listed in question 6.a. above, by the shape variables listed in question 6.b. above.

RESPONSE:

Please see the attachment to the response to POIR5 question 6.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAUL RIDDLE
TO INTERROGATORY OF VALPAK, REDIRECTED FROM WITNESS HARAHUSH**

VP/USPS-T4-4.

For the universe of flats delivered by the Postal Service, please provide the following information and indicate the source(s) used:

- b. What proportion or share of all flats is delivered by rural carriers?

RESPONSE:

- b. The RCCS records compensation category, not the shape (please see the responses to NAA/USPS-T5-1 and PSA/USPS-T14-4i). Flats could be recorded in one of several compensation categories, depending on extra services, address format, and whether or not the mail piece could be cased. Therefore, total volume of all flats delivered by rural carriers is not available.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAUL RIDDLE
TO INTERROGATORY OF VALPAK, REDIRECTED FROM WITNESS HARAHUSH**

VP/USPS-T4-6.

Please provide a table that (i) is similar in format to your Table 2, and (ii) shows the FY 2005 proportions of flat-shaped mail volume delivered by rural carriers.

RESPONSE:

The RCCS records compensation category, not the shape (please see the response to NAA/USPS-T5-1). The FY2005 proportions of mail in the flats compensation category are provided in Table 4 of my testimony. FY2005 proportions of flat-shaped mail delivered by rural carriers are not available.

**POSTAL RATE COMMISSION
DOCKET NO. R2006-1
DECLARATION OF PAUL RIDDLE**


I hereby declare, under penalty of perjury, that:

The Direct Testimony of Paul Riddle on Behalf of the United States Postal Service, marked as USPS-T-5, was prepared by me or under my direction; and

If I were to give this testimony before the Commission orally today, it would be the same as originally filed on May 3, 2006.

I have no Category 2 library references.

My responses to written cross-examination, in the forms of interrogatory responses and responses to Presiding Officer's Information Requests, would be the same were I to answer them today.



Paul Riddle

DATE 8-21-06

1 CHAIRMAN OMAS: Is there any additional
2 cross-examination for Witness Riddle?

3 (No response.)

4 CHAIRMAN OMAS: There being none, our next
5 witness is Dennis P. Stevens. Again, there are no
6 requests for oral cross-examination of that witness.

7 Mr. Koetting, would you please move for
8 admission of his testimony into the evidentiary
9 record?

10 MR. KOETTING: Thank you, Mr. Chairman.

11 The Postal Service moves the Direct
12 Testimony of Dennis P. Stevens on Behalf of the United
13 States Postal Service designated as USPS-T-19 and the
14 associated Category II library reference,
15 USPS-LR-L-70, into the record.

16 I have two executed declarations stating
17 that if the witness were to testify orally today this
18 would be his testimony.

19 CHAIRMAN OMAS: Is there any objection?

20 (No response.)

21 CHAIRMAN OMAS: Hearing none, I will direct
22 counsel to provide the reporter with two copies of the
23 corrected direct testimony of Dennis P. Stevens.

24 That testimony is received into evidence.
25 As is our practice, it will not be transcribed.

1 (The document referred to was
2 marked for identification as
3 Exhibit No. USPS-T-19 and was
4 received in evidence.)

5 CHAIRMAN OMAS: Mr. Koetting, have the
6 answers to the designated written cross-examination
7 been reviewed and corrected?

8 MR. KOETTING: Yes, Mr. Chairman, the
9 answers are corrected. There are no corrections.

10 CHAIRMAN OMAS: Please provide two copies of
11 the designated written cross-examination of Witness
12 Stevens to the reporter.

13 That material is received into evidence and
14 is to be transcribed into the record.

15 (The document referred to was
16 marked for identification as
17 Exhibit No. USPS-T-19 and was
18 received in evidence.)

19 //

20 //

21 //

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23 //

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS DENNIS P. STEVENS
(USPS-T-19)

Party

Interrogatories

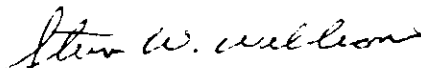
Advo, Inc.

ADVO/USPS-T19-2

Postal Rate Commission

ADVO/USPS-T19-2

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steven W. Williams", written in a cursive style.

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS DENNIS P. STEVENS (T-19)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

ADVO/USPS-T19-2

Designating Parties

Advo, PRC

**RESPONSE OF POSTAL SERVICE WITNESS STEVENS
TO INTERROGATORY OF ADVO**

ADVO/USPS-T19-2. Referring to the time variables on page 6 of USPS LR-L-70, please provide the following for each of those variables for each route category (i.e., evaluated and other) in spreadsheet format:

- (a) The average weekly times for the FY04 data
- (b) The average weekly time for the FY05 data
- (c) The evaluation time standards used during the FY04NMC
- (d) The evaluation time standards used during the FY05 NMC

RESPONSE: See attached spreadsheet. The evaluation time standards were the same for the FY 2004 and FY 2005 NMC.


RURAL ROUTE MASTER FILE
AVERAGE VALUES PER ROUTE FOR EACH EVALUATION ITEM

LINE NO	ROUTE EVALUATION ITEM	UNITS	AVERAGE WEEKLY VALUES EVALUATED ROUTES, FY 2004 RRMF	AVERAGE WEEKLY VALUES, OTHER ROUTES, FY 2004 RRMF	AVERAGE WEEKLY VALUES, EVALUATED ROUTES, FY 2005 RRMF	AVERAGE WEEKLY VALUES, OTHER ROUTES, FY 2005 RRMF	EVALUATION FACTORS (2004 and 2005)
	COLUMN NUMBER		(1)	(2)	(3)	(4)	(5)
1	LETTERS DELIVERED	PIECES	3 801.14	2 099.38	3 728.43	2,090.96	0.0699
2	FLATS DELIVERED	PIECES	2 585.90	1 585.06	3 764.56	1 704.77	0.1143
3	PARCELS DELIVERED	PIECES	232.77	112.73	246.26	121.77	0.5000
4	BOXHOLDERS DELIVERED	PIECES	3 154.8	425.48	936.35	430.74	0.0400
5	COD DELIVERED	PIECES	0.18	0.09	0.16	0.07	5.9670
6	ACCOUNTABLES DELIVERED	PIECES	18.50	9.63	18.71	9.51	4.4670
7	DPS	PIECES	7 214.39	2 678.08	7 689.52	2 860.26	0.0333
8	SECTOR SEGMENT	PIECES	195.65	327.13	188.86	311.06	0.0587
9	POSTAGE DUE	PIECES	1.78	0.94	1.71	0.85	0.2000
10	RETURN RECEIPTS	PIECES	0.06	0.03	0.04	0.04	0.2500
11	LETTERS FLATS COLLECTED	PIECES	930.06	415.33	925.64	417.70	0.0400
12	PARCELS ACCEPTED	PIECES	3.29	1.94	3.65	2.24	4.0000
13	ACCOUNTABLES ACCEPTED	PIECES	0.61	0.29	0.59	0.29	2.0000
14	MONEY ORDERS	PIECES	0.22	0.11	0.21	0.16	3.5000
15	VEHICLE LOADING	TIME	49.52	30.66	50.45	31.82	1.0000
16	MARKUPS	PIECES	103.75	61.92	104.50	65.26	0.2357
17	RELOAD/UNLOAD TIME	TIME			18.00	18.00	1.0000
18	MILES	MILES	48.66	24.64	48.44	24.62	12.0000
19	REGULAR BOXES	BOXES	201.07	104.56	198.91	106.94	2.0000
20	CENTRALIZED BOXES	BOXES	86.11	69.80	89.71	65.91	1.0000
21	L BOXES	BOXES	224.23	93.48	228.83	88.99	1.8200
22	NDCBU COMPARTMENTS	NDCBU	4.13	3.58	4.44	3.32	1.0000
23	PARCEL POST LOCKERS	LOCKERS	6.13	5.08	6.64	4.90	2.0000
24	POUCHES	POUCHES	0.45	0.13	0.43	0.14	1.0000
25	WITHDRAWALS	NUMBER OF WITHDRAWALS	25.87	24.56	25.93	24.41	1.0000
26	CHANGE OF ADDRESS	PIECES	4.66	2.30	4.60	2.26	2.0000
27	FORM 3579	PIECES	4.02	2.78	4.03	2.75	2.0000
28	OFFICE WORK	TIME	30.00	30.00	30.00	30.00	1.0000
29	PURCHASE STAMPS	TIME	20.00	20.00	20.00	20.00	1.0000
30	OTHER SUITABLE ALLOWANCE	TIME	45.80	34.89	48.57	36.46	1.0000
31	DISMOUNT	NUMBER OF DISMOUNTS	39.02	27.41	40.56	27.83	0.1000
32	DISMOUNT DISTANCE	FEET	3 699.05	2 758.29	3 842.10	2 900.21	0.0028
33	USPS VEHICLE USE	TIME	7.13	4.24	7.45	3.77	1.0000

*Note: Reload / Unload time automatically assigned to routes beginning Oct 2004

DECLARATION OF DENNIS P. STEVENS**DOCKET NO. R2006-1**

I, Dennis P. Stevens, do hereby declare under penalty of perjury that my interrogatory responses previously filed with the Postal Rate Commission are still the answers I would give to those questions, and are true and correct to the best of my information, knowledge, and belief.



Dennis P. Stevens

8/22/2006

Date

1 CHAIRMAN OMAS: Is there any additional
2 written cross-examination for Witness Stevens?

3 (No response.)

4 CHAIRMAN OMAS: There being none, we will
5 proceed to our third witness.

6 Our next witness is Dr. Daniel Talmo. There
7 again is no request for oral cross-examination of
8 Witness Talmo, and the Postal Service filed a motion
9 asking that he be excused from appearing. I grant
10 that motion.

11 Mr. Weidner?

12 MR. WEIDNER: Thank you, Mr. Chairman. The
13 Postal Service moves that the Direct Testimony of
14 Daniel Talmo on Behalf of the United States Postal
15 Service designated as USPS-T-27 be entered into
16 evidence.

17 I have two copies of that testimony, as well
18 as two declarations from Witness Talmo stating that if
19 he were to give that testimony orally today it would
20 be the same.

21 CHAIRMAN OMAS: All right. Is there any
22 objection?

23 (No response.)

24 CHAIRMAN OMAS: Hearing none, I direct
25 counsel to provide the reporter with two copies of the

1 corrected direct testimony of Daniel Talmo.

2 That testimony is received into evidence.
3 However, as is our practice, it will not be
4 transcribed.

5 (The document referred to was
6 marked for identification as
7 Exhibit No. USPS-T-27 and was
8 received in evidence.)

9 CHAIRMAN OMAS: Our next witness is Thomas
10 Harahush. There again is no request for oral cross-
11 examination of this witness.

12 MR. WEIDNER: Mr. Chairman, I also have the
13 cross-examination for Witness Talmo.

14 CHAIRMAN OMAS: I'm sorry. Excuse me. I'm
15 sorry.

16 Have the answers to the designated written
17 cross-examination been reviewed and corrected?

18 MR. WEIDNER: Yes, Mr. Chairman, they are
19 correct.

20 CHAIRMAN OMAS: Please provide two copies of
21 the corrected written cross-examination of Witness
22 Talmo to the reporter.

23 That material is received into evidence and
24 is to be transcribed.

25 //

1 (The document referred to was
2 marked for identification as
3 Exhibit No. USPS-T-27 and was
4 received in evidence.)
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

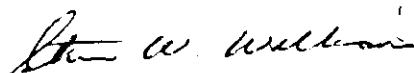
Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS DR. DANIEL TALMO
(USPS-T-27)

<u>Party</u>	<u>Interrogatories</u>
Advo, Inc.	ADVO/USPS-T27-1-5
Alliance of Nonprofit Mailers	MPA/USPS-T27-1b
Magazine Publishers of America	MPA/USPS-T27-1b
Postal Rate Commission	ADVO/USPS-T27-1-5 MPA/USPS-T27-1b TW/USPS-T27-1-2 UPS/USPS-T21-1c redirected to T27 VP/USPS-T36-2d, i, 5c redirected to T27
Time Warner Inc.	TW/USPS-T27-1-2
United Parcel Service	UPS/USPS-T21-1c redirected to T27
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association Inc.	VP/USPS-T36-2d, i, 5c redirected to T27

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS DR. DANIEL TALMO (T-27)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

ADVO/USPS-T27-1	Advo, PRC
ADVO/USPS-T27-2	Advo, PRC
ADVO/USPS-T27-3	Advo, PRC
ADVO/USPS-T27-4	Advo, PRC
ADVO/USPS-T27-5	Advo, PRC
MPA/USPS-T27-1b	ANM, MPA, PRC
TW/USPS-T27-1	PRC, TW
TW/USPS-T27-2	PRC, TW
UPS/USPS-T21-1c redirected to T27	PRC, UPS
VP/USPS-T36-2d redirected to T27	PRC, Valpak
VP/USPS-T36-2i redirected to T27	PRC, Valpak
VP/USPS-T36-5c redirected to T27	PRC, Valpak

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF ADVO INC.

ADVO/USPS-T27-1. Please provide a version of USPS-LR-L-84 (in spreadsheet format) that breaks out the following:

- (a) BY and TY DAL mail processing costs associated with ECR/NECR saturation flats (by cost pools).
- (b) BY shape by density level mail processing costs (for each cost pool) associated with direct tallies, mixed mail tallies, and not handling tallies.

RESPONSE:

(a) See worksheet "ECR-BY&TY DAL" in the attached workbook "ADVO-USPS-T27-1.xls". Base year costs are obtained from the same program as in USPS-LR-L-84 (mpproc05_ecr.f) with a slight modification to separate DAL costs by pool. DAL costs are identified through IOCS question 23B01. Test year costs are obtained using the same methodology as in USPS-LR-L-84. This methodology also uses the same cost ratio, piggyback factor, and other adjustment factor inputs as in USPS-LR-L-84.

(b) See worksheet "ECR-DirectMixed" in the attached workbook "ADVO-USPS-T27-1.xls". Base year costs are obtained from the same program as in USPS-LR-L-84 (mpproc05_ecr.f) with a slight modification to print costs by tally type. Three cost pools (MODS LD15, MODS 1SUPP_F1, and NonMODS EXPRSOUT) use a cost distribution methodology that is not based on their tallies. Costs by tally type are not shown for these costs pools. See USPS-T-11 for more details. In addition to costs from direct tallies, mixed mail tallies, and not handling tallies, costs from class specific mixed mail tallies are shown separately.

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF ADVO INC.

ADVO/USPS-T27-2. Please explain:

(a) Why USPS-LR L-55 is not used to develop the ECR/NECR mail processing costs by cost pools, shapes, and rate categories.

(b) Why USPS-LR-L-84 uses Fortran programs rather than SAS programs.

RESPONSE:

(a) USPS-LR-L-84 replicates the methods and results from USPS-LR-L-55 at the subclass/shape level while also providing additional rate category detail using those methods. The FORTRAN programs are easily adaptable to provide the levels of IOCS disaggregation needed by the various cost and rate witnesses that require these data inputs.

(b) The original FORTRAN programs, of which those in USPS-LR-L-84 are based, date from an investigation where it was important to replicate IOCS results using completely independent software. The enhanced reliability of all estimates through this independent replication process continues to have value.

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF ADVO INC.

ADVO/USPS-T27-3. Please identify each instance where the LR-L-84 distribution keys allocating total ECR/NECR mail processing costs among the three density-related rate categories differ from those in LR-L-55 used to allocate total mail processing costs among the subclasses and shapes.

RESPONSE:

There are no differences at the reporting level of USPS-LR-L-55. USPS-LR-L-84 BY costs are presented by shape, cost pool, and rate level (basic, auto basic, WSS/WSH). BY costs in USPS-LR-L-55 are only by shape and cost pool. For each shape and cost pool, the sum of USPS-LR-L-84 BY costs across rate level match the USPS-LR-L-55 BY costs by shape and cost pool, up to a rounding error

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF ADVO INC.

ADVO/USPS-T27-4. Please explain how "counted mixed mail" mail processing tallies by shape are distributed among the three density-related categories of ECR/NECR.

RESPONSE:

"Counted mixed mail" is interpreted to mean a tally of a mixed-mail "item" where the subclass information was recorded in IOCS question 24. Unlike question 23 direct tallies, question 24 tallies do not identify markings for specific ECR rate categories. The few ECR counted mixed item tallies are all assigned to the basic rate level.

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF ADVO INC.

ADVO/USPS-T27-5. Please explain why the costs and volumes of High Density and Saturation rate categories are combined in your LR-L-84 analysis.

RESPONSE:

Estimated costs by shape for High Density ECR demonstrate considerable sample variation. Combined with sample variation in Saturation ECR costs, the estimated cost difference by shape between High Density and Saturation costs also shows considerable variation. Due to the uncertainty in the estimated difference in costs, High Density and Saturation cost by shape are treated as having the same mail processing costs.

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.

MPA/USPS-T27-1. Please refer to USPS-LR-L-49 at 19-20; USPS-LR-L-85, Table 1; Table 3 of your testimony (USPS-T-27); and your testimony to page 7, line 17, through page 8, line 1, where you state:

Table 3 demonstrates that Periodicals flat-shaped mail presented by mailers in sacks is more costly to process than mail presented on pallets. The per-piece cost difference is due to differences in productivities for platform and other allied operations associated with unloading mail and moving mail to bundle sort operations at the 'destination' facility. The destination facility refers to the facility at which a pallet or sack is dumped or opened and the bundles or pieces therein are handled separately.

Please also refer to witness McCreery's response to Presiding Officer's Information Request No. 4, Question 6, in Docket No. R2005-1, which stated:

It should be noted that the [Skin Sack Cost Reduction] estimate is conservative since it reflects only savings at the destination facilities. However, it would be expected that further workhour reductions will be realized at origin facilities with fewer origin sack handlings and through a reduction in the overall network sack sorting workload for Periodicals.

Finally, please refer to lines 16 through 18 on page 6 of USPS-T-25, which states: "Periodicals that are entered by mailers at origin SCFs or intermediate facilities upstream from the destination SCF must undergo mail processing operations of a bulk transfer type, such as crossdocking, at the non-destination facilities."

- (a) Please confirm that the Postal Service incurs costs for handling Periodicals Outside County containers at facilities upstream of the destination facility. If not confirmed, please explain fully.
- (b) Please confirm that because USPS-LR-L-85 estimates costs only at destination facilities, the cost per container estimates in USPS-LR-L-85 understate the Postal Service's average unit costs of handling Periodicals Outside County containers. If not confirmed, please explain fully, and produce all data and analyses underlying your response.
- (c) Please confirm that the estimate in USPS-LR-L-49 of the cost savings from the Skin Sack Reduction Program was developed using USPS-LR-L-85. If not confirmed, please explain fully, and produce all data and analyses underlying your response.
- (d) Please confirm that, holding all else equal, using USPS-LR-L-85 to estimate the cost savings from the Skin Sack Reduction Program understates the actual cost savings that the program will generate. If not confirmed, please explain fully, and produce all data and analyses underlying your response.

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF MAGAZINE PUBLISHERS OF AMERICA, INC.

- (e) Please confirm that the average cost (per piece of mail) of handling sacks at destination facilities is higher than the average cost of handling pallets at non-destination facilities. If not confirmed, please explain fully, and produce all data and analyses underlying your response.
- (f) Please confirm that the actual per-piece cost difference between sacks and pallets entered at the same "non-destination" facility will be higher than the per-piece cost difference estimated in USPS-LR-L-85. If not confirmed, please explain fully, and produce all data and analyses underlying your response.
- (g) What percentage of Periodicals Outside County sacks are entered at the "destination" facility as you use the term in your testimony? Please provide citations to data and analyses sufficient to replicate your response.
- (h) What percentage of Periodicals Outside County pallets are entered at the "destination" facility, as you use the term in your testimony? Please provide citations to data and analyses sufficient to replicate your response.
- (i) What percentage of Periodicals Outside County containers are entered at the "destination" facility, as you use the term in your testimony? Please provide citations to data and analyses sufficient to replicate your response.
- (j) Does the Postal Service have any other estimates of the unit costs of handling containers of Periodicals Outside County mail, or other kinds of mail? If so, please provide the estimates and their source.

RESPONSE:

- (a) Redirected to witness McCrery (USPS-T-42).
- (b) Confirmed, in that it is my understanding that Periodicals Outside County containers inducted upstream from the destination facility do incur costs at the upstream facilities. These costs are not reflected in USPS-LR-L-85.
- (c)-(d) Redirected to witness McCrery (USPS-T-42).
- (e)-(f) Redirected to witness Mayes (USPS-T-25).
- (g)-(i) Redirected to witness Loetscher (USPS-T-28).
- (j) Redirected to witness Mayes (USPS-T-25).

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF TIME WARNER INC.

TW/USPS-T27-1. Please refer to your model in LR-L-85 of sack and pallet processing at destinating facilities.

- (a) Please confirm that your model assumes a sack with flats bundles undergoes the following operations at the destinating facility:
 - (1) unload OWC;
 - (2) move OWC to bundle sort operation;
 - (3) dump sack at bundle sort;
 - (4) handle empty sack; and
 - (5) handle empty OWC.
- (b) Please confirm that your model assumes the sack can be transported directly to the bundle sorting operation without first going through a sack sorting operation. If not confirmed, please explain.
- (c) Please confirm that your model does not include the time a postal employee would spend reading the sack label in order to determine: (1) whether this is the destinating facility for that particular sack; and (2) which particular bundle sorting operation this particular sack should be dumped at. If not confirmed, please explain and provide documentation to support your belief that reading sack labels is included in your model.
- (d) Please confirm that your model does not consider the possibility that sacks might be bedloaded in the truck in which they arrive at the destinating facility.
- (e) Please confirm that your model does not include the extra costs that are incurred when bundles break because of having been transported in sacks rather than on pallets.
- (f) Please confirm that the operation "dump sack at bundle sort" includes untying the sack so that its contents can be dumped.
- (g) Please confirm that your model assumes 45.114 pieces per sack. Please confirm also that for a sack containing many fewer pieces, the per-piece sack related costs you derive in LR-L-85 would be much higher.

RESPONSE:

- a) Confirmed.
- b) Confirmed.
- c) Confirmed.
- d) Confirmed.
- e) The model does not consider the costs associated with bundle breakage for any bundles, whether in sacks or on pallets.
- f) Confirmed

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF TIME WARNER INC.

g) The pieces per sack figure is confirmed. For sacks containing fewer pieces, the per-piece sack related costs would increase. An estimate of the degree of cost increase can be determined in the model.

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF TIME WARNER INC.

TW/USPS-T27-2. Please confirm that the term "OWC" as used in LR-L-85 refers to any container into which sacks have been placed, either by a mailer or by the Postal Service at an upstream facility. Please also explain the origin of the term and what the letters stand for. Additionally, please list the most commonly used containers in which sacks arrive at a destinating facility and indicate approximately what percent of Periodicals sacks arrive in each type of container. In particular, approximately what percent of the containers that arrive at destinating facilities with Periodicals sacks are likely to be:

- (1) hampers;
- (2) APCs or other wheeled metal containers;
- (3) Pallets with cardboard boxes, e.g., postal paks; or
- (4) other types of containers?

RESPONSE:

OWC stands for "Other Wheeled Container". To the best of my knowledge, the term was first used in Docket Nos. MC97-2 and R97-1, and was intended to cover the variety of wheeled containers in the field at that time. In my L-85 model it refers to any container holding sacks, chiefly APCs, hampers, and other wheeled metal containers. No data are available that provide the percentage mix of such containers arriving at postal facilities.

RESPONSE OF POSTAL SERVICE WITNESS TALMO TO
INTERROGATORY OF UNITED PARCEL SERVICE,
REDIRECTED FROM WITNESS MILLER

UPS/USPS-T21-1. Refer to library reference USPS-LR-L-46, page 3.

(c) Provide Parcel Post Base Year and Test Year costs by each MODS, BMC, and non-MODS pool broken out by basic function in a manner similar to that provided in library reference USPS-LR-J-180 in Docket No. R2001-1.

RESPONSE:

(c) Please see USPS-LR-L-144.

RESPONSE OF POSTAL SERVICE WITNESS TALMO
TO VALPAK INTERROGATORY

VP/USPS-T36-2. In Regular Standard, please refer to the rates proposed at the minimum per-piece level for mixed ADC flats of 43.1 cents (per piece) and for mixed ADC letters of 29.2 cents, both machinable. (See, e.g., Request, Attachment A, pp.11-12, Rate Schedule 321A.)

(d) Please confirm that USPS-LR-K-119, Docket No. R2005-1, showed the cost for all Regular Standard letters, exclusive of mail processing and carrier costs, to be 0.6417 cents, and that Postal Service witness Yorgey, in Docket No. MC2005-3, USPS-T-2 (see, e.g., p. 4 of Appendix A), used the figure of 0.6417 cents as the cost of letters beyond mail processing and carrier costs. If you do not confirm, please provide alternative add-on costs, identifying their source. Also, please update the cost of 0.6417 cents to the instant docket and FY 2008.

(i) Please confirm that USPS-LR-K-119, Docket No. R2005-1, showed the costs for flats, exclusive of mail processing and carrier costs, to be 2.6155 cents, and that Postal Service witness Yorgey, in Docket No. MC2005-3, USPS-T-2 (see, e.g., p. 6 of Appendix A), used the figure of 2.6155 cents as the cost of flats beyond mail processing and carrier costs. If you do not confirm, please provide alternative add-on costs, identifying their source. Also, please update the cost of 2.6155 cents to the instant docket and FY 2008.

RESPONSE:

(d) Confirmed. Please see USPS-LR-L-135 for the update to USPS-LR-K-119.

(i) Confirmed. Please see USPS-LR-L-135 for the update to USPS-LR-K-119.

RESPONSE OF POSTAL SERVICE WITNESS TALMO
TO VALPAK INTERROGATORY, REDIRECTED FROM WITNESS KIEFER

VP/USPS-T36-5. In Commercial ECR Standard, please refer to the rates proposed at the minimum perpiece level for saturation **letters** of 17.2 cents (per piece) and for saturation **flats** of 18.2 cents, the former being required to be machinable and automation compatible. (See, e.g., Request, Attachment A, p. 19, Rate Schedule 322.)

(c) Please confirm that workbook LR-K-119.xls, tab 'Unit Costs,' in USPS-LR-K-119, Docket No. R2005-1, showed the FY 2006 cost for all ECR letters, exclusive of mail processing and carrier costs, to be 0.2341 cents, and the corresponding cost for flats to be 0.8012 cents, and that Postal Service witness Yorgey, in Docket No. MC2005-3, USPS-T-2 (see, e.g., p. 4 of Appendix A, footnote 9), used the figures of 0.2341 cents and 0.8012 cents as the cost of letters and flats beyond mail processing and carrier costs. If you do not confirm, please provide alternative add-on costs, identifying their source. Also, please update the costs of 0.2341 cents and 0.8012 cents to FY 2008.

RESPONSE:

(c) Confirmed. Please see USPS-LR-L-135 for the update to USPS-LR-K-119.

**POSTAL RATE COMMISSION
DOCKET NO. R2006-1
DECLARATION OF DANIEL TALMO**


I, Daniel Talmo, hereby declare under penalty of perjury that:

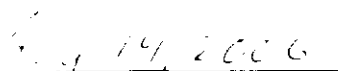
I prepared the interrogatory responses which were filed under my name and which have been designated for inclusion in the record of this docket, and

If I were to respond to those interrogatories orally, the responses would be the same.

I prepared the Presiding Officer's Information Request responses which were filed under my name and which have been designated for inclusion in the record of this docket, and

If I were to respond to those Presiding Officer's Information Request questions orally, the responses would be the same.


Daniel Talmo


Date

1 CHAIRMAN OMAS: Now we go to our next
2 witness, Thomas Harahush. Again, as I said, there is
3 no request for oral cross-examination of this witness.

4 Mr. Hollies?

5 MR. HOLLIES: Thank you again, Mr. Chairman.

6 At this point the Postal Service moves for
7 admission into evidence the Direct Testimony of Thomas
8 W. Harahush on Behalf of the United States Postal
9 Service denominated USPS-T-4.

10 I have two copies of that here in front of
11 me, and I would provide those to the reporter.

12 CHAIRMAN OMAS: Is there any objection?

13 (No response.)

14 CHAIRMAN OMAS: Hearing none, I will direct
15 counsel to provide the reporter with two copies of the
16 corrected direct testimony of Witness Harahush.

17 That testimony is received into evidence.
18 However, as is our practice, it will not be
19 transcribed.

20 (The document referred to was
21 marked for identification as
22 Exhibit No. USPS-T-4 and was
23 received in evidence.)

24 CHAIRMAN OMAS: Mr. Hollies, have the
25 answers to the designated written cross-examination

1 been reviewed and corrected?

2 MR. HOLLIES: Yes, they have. Moreover, I
3 have attached to each of the two sets an original
4 declaration from Witness Harahush attesting to the
5 accuracy of the answers and that if he were to provide
6 them orally today they again would be the same. These
7 declarations also apply to the testimony itself.

8 CHAIRMAN OMAS: Thank you.

9 Would you please provide two copies of the
10 corrected designated written cross-examination of
11 Witness Harahush to the reporter?

12 That material is received into evidence, and
13 it is to be transcribed into the record.

14 (The document referred to was
15 marked for identification as
16 Exhibit No. USPS-T-4 and was
17 received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

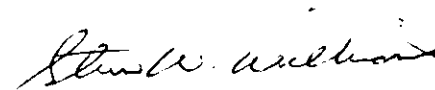
Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS THOMAS W. HARAUSH
(USPS-T-4)

<u>Party</u>	<u>Interrogatories</u>
Advo, Inc.	VP/USPS-T4-3
Newspaper Association of America	NAA/USPS-T4-1-3 VP/USPS-T4-1-3, 4a, c, 5
Parcel Shippers Association	PRC/USPS-POIR No.5 - Q16b, 16d, 16e redirected to T4 PSA/USPS-T4-1a, c
Postal Rate Commission	NAA/USPS-T4-1-3 PRC/USPS-POIR No.4 - Q13, 15, POIR No.5 - Q16b, 16d, 16e redirected to T4 PSA/USPS-T4-1a, c VP/USPS-T4-1-3, 4a, c, 5
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association Inc.	VP/USPS-T4-1-3, 4a, c, 5

Respectfully submitted,


Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS THOMAS W. HARAHUSH (T-4)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory

Designating Parties

NAA/USPS-T4-1	NAA, PRC
NAA/USPS-T4-2	NAA, PRC
NAA/USPS-T4-3	NAA, PRC
PRC/USPS-POIR No.4 - Q13 redirected to T4	PRC
PRC/USPS-POIR No.4 - Q15 redirected to T4	PRC
PRC/USPS-POIR No.5 - Q16b redirected to T4	PRC, PSA
PRC/USPS-POIR No.5 - Q16d redirected to T4	PRC, PSA
PRC/USPS-POIR No.5 - Q16e redirected to T4	PRC, PSA
PSA/USPS-T4-1a	PRC, PSA
PSA/USPS-T4-1c	PRC, PSA
VP/USPS-T4-1	NAA, PRC, Valpak
VP/USPS-T4-2	NAA, PRC, Valpak
VP/USPS-T4-3	Advo, NAA, PRC, Valpak
VP/USPS-T4-4a	NAA, PRC, Valpak
VP/USPS-T4-4c	NAA, PRC, Valpak
VP/USPS-T4-5	NAA, PRC, Valpak

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS THOMAS W. HARAUSH TO INTERROGATORIES
OF NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T4-1. Please refer to Table 2 of your testimony. Is it a correct interpretation of Table 2 that approximately 50 percent ($0.1966 + 0.2990$) of FY2005 flat-shaped mail that generated city carrier costs consisted of Standard *Enhanced Carrier Route Mail*? If not, please provide the most accurate characterization of this table.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS THOMAS W. HARAHAUSH TO INTERROGATORIES
OF NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T4-2. Please refer to Table 2 of your testimony. Are data available to separate the "ECR All Other" category into "High Density" and "Basic"? If so, please provide that data or explain where it can be found.

RESPONSE:

Of the 29.20 percent of ECR All Other in Table 2, 3.52 percent are High Density and 26.38 percent are Basic.

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS THOMAS W. HARAUSH TO INTERROGATORIES
OF NEWSPAPER ASSOCIATION OF AMERICA

NAA/USPS-T4-3. Please refer to Table 2 of your testimony. Do the ECR saturation and ECR All Other categories include both *commercial and nonprofit* mail? If so, are data available to allow commercial and nonprofit to be presented separately for this Table? If Table 2 does not include both commercial and nonprofit mail, what are the proportions for nonprofit Standard mail?

RESPONSE:

The ECR saturation and ECR All Other categories include both commercial and nonprofit mail.

Data are not available to allow commercial and nonprofit to be presented separately for this Table.

RESPONSE OF POSTAL SERVICE WITNESS HARAHUSH TO
POIR NO. 4, QUESTION 13

13. This question seeks clarification of the definition of "Collection Mail."
- a. USPS-LR-L-11 at pages 22-23 discusses the formation of estimates of collection mail. Please clarify whether the volume of collection mail estimated by the City Carrier Cost System (CCCS) is confined to mail taken from "blue collection boxes" by carriers on special purpose routes; mail collected by regular city carriers at regular delivery stops with some "blue box collection mail volume," or a combination of mail collected by regular and special purpose carriers.
 - b. If your answer to "a" above includes, or is limited to, collections made by *carriers serving special purpose routes*, please provide an Excel file showing the separate distributions to subclasses of FY 2005 mail collected by regular city carriers and mail collected by carriers serving special purpose routes, show any calculations made, and identify the source(s) used in your calculations.
 - c. Please identify the variable names associated with the values in the first column in files WTEST.PQ1FY05, WTEST.PQ2FY05, WTEST.PQ3FY05, and WTEST.PQ4FY05, found in USPS-LR-L-11.

RESPONSE:

- a. The city carrier cost system samples only letter routes, thereby excluding special purpose routes. However, mail from "blue collection boxes," individual customer boxes and neighborhood delivery and collection box units is included and counted.
- b. Not applicable
- c. 2 = First Class, 3 = Priority, 4 = Periodicals, 5 = Express, 6 = Standard, 7 = Package Services, 8 = International Economy, 9 = International Airmail, 10 = Other, 12 = Total. 1 and 11 are blank by definition at this time.

RESPONSE OF POSTAL SERVICE WITNESS HARA HUSH TO
POIR NO. 4, QUESTION 15

15. The variable "RCAT," is identified as Route Category on page 34 of USPS-LR-L-11. The file entitled "z.sas7bdat" in USPS- LR-L-11 contains the following values for the variable "RCAT:" 1, 2, 3, 4, and 5. Please identify the Route Categories which correspond to these five numbers.

RESPONSE:

Please see page 7 in USPS-LR-L-11 for an explanation of all values 1 – 8 for RCAT.

**RESPONSE OF POSTAL SERVICE WITNESS HARA HUSH TO
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

16. USPS-T-30 at page 15, beginning at line 6 states that “[S]ince the costs and volumes are derived from different systems, the possibility exists that the estimated aggregate volume from CCS, which provides a distribution key for cost segment 7 and 10 costs, exceeds the estimated total originating volume. This is an incongruous result since it leads to the conclusion that more mail from a specific rate category is delivered on city and rural routes than was mailed. USPS-LR-L-67 handles this situation by transferring costs from cost segments 6, 7, and 10 from the rate category with the anomalous estimated volume to a rate category that does not have this situation. In practical terms, the volume variable cost segment 6, 7, and 10 costs are generally transferred from parcels to flats within a particular category of mail...” (Footnote omitted.)

- a. Please confirm that the statement quoted above is the rationale behind the shifts of volumes of parcels to flats. If not, please explain fully.
- b. If so, please identify the reasons that the RCCS and CCCS surveys cause this type of discrepancy (e.g., mistaking flats for parcels).
- c. Please explain if, and how, the above statement also applies to the letter to flat volume shift.
- d. If the above statement applies to the letter to flat volume shift, please identify the reasons that the RCCS and CCCS surveys cause this type of discrepancy (e.g., mistaking flats for letters).
- e. Would you agree that the ODIS/RPW survey generally produces more reliable results than the RCCS and CCCS surveys? Please discuss measures taken to evaluate the reliability of RCCS and CCCS volume estimates when the delivered volume is not higher than the originating volume (e.g., parcel crosswalk)

Response

b. The CCCS and RCCS surveys are statistical surveys and as such they obtain rate and shape (or compensation category) information from a sample of routes. For services that have apparent anomalies, the RPW data are obtained from mailing statements and are reported through the PostalOne system. As such, RCCS and CCCS data collectors classify mail by rate category and shape according to the markings and endorsements they see on the mailpieces and how the mailpiece looks at the time of

**RESPONSE OF POSTAL SERVICE WITNESS HARAHUSH TO
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

delivery using defined shape measurement rules, while RPW data come from the mailing statements entered at the many BMEU's across the country at the time of mailing.

Examples of situations where a mailpiece can be correctly recorded as a flat in PostalOne and as a parcel in CCCS and RCCS follow.

For Presorted Standard parcels, it is very important to understand that according to the regulations in DMM 301.3.4.2, mailpieces between $\frac{3}{4}$ and $1\frac{1}{4}$ inches thick can pay either flat or parcel rates. Mailpieces prepared as *automation flats* pay flat rates and avoid the parcel surcharge. Those same pieces entered as flats in order to avoid the parcel rate surcharge would be counted as parcels in CCCS and are likely recorded in the Parcel Compensation Category in RCCS. So both systems are **correctly** recording the mailpieces as they see them when the recording takes place.

For Periodical parcels, it is important to once again understand how data are entered into the mailing statements and also understand what data collection technicians see at the *time of recording mailpiece information at the carrier case*. The Postal Service permits daily publications to document mailings for the entire month on a single postage statement. If one or more edition of a publication exceeds $\frac{3}{4}$ inch in a monthly statement of flat publications, it would show as a flat on the mailing statement but would be recorded as a parcel by the data collectors at the case because its width exceeds $\frac{3}{4}$ inch.

**RESPONSE OF POSTAL SERVICE WITNESS HARAUSH TO
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

There are other instances where Periodicals may show as flats on mailing statements and parcels in the data systems. For example, if a large but less than $\frac{3}{4}$ inch flat is rolled prior to its receipt by the carrier so the carrier can handle the mailpiece more easily and efficiently, the flat would be counted as a parcel in the carrier systems because it is thicker than $\frac{3}{4}$ inch. Furthermore, if a Periodical flat is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle as a Periodical parcel, using the top-piece rule. Similarly in RCCS, rigid flats (including properly prepared "do not bend" mailpieces) that exceed five inches in height are recorded in the Parcel Compensation Category as well as other mailpieces that cannot fit in the case separation with other mail. In the CCCS, if a large Periodical flat is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system.

Certainly, human error is possible, whether it be at the carrier case or at the BMEU. However, it must be noted that none of the noted differences constitute more than a minor percentage of the total volume involved. Of the four rate category/shape classifications, some are extremely small categories of mail. A very small error in classification from major shape (flat) to one of the minor shapes (parcels) would be magnified in the small shape estimate. But by no means does the minor classification error even indicate that there is a systematic data collection problem.

d. The CCCS and RCCS surveys are statistical surveys and as such they obtain rate and shape (or compensation category) information from a sample of routes. RPW

**RESPONSE OF POSTAL SERVICE WITNESS HARAHUSH TO
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

data are obtained from mailing statements and are reported through the PostalOne system. As such, RCCS and CCCS data collectors classify mail by rate category and shape according to the markings and endorsements they see on the mailpieces and how the mailpiece looks at the time of delivery using defined shape measurement rules, while RPW data come from the mailing statements entered at the many BMEU's across the country at the time of mailing. Examples of situations where a mailpiece can be correctly recorded as a flat in PostalOne and as a letter in CCCS and RCCS follow.

In RCCS, it is possible that mailpieces exceeding ¼ inch in thickness that are "flats" on the postage statement are recorded as one of the letter compensation categories if the mailpiece is 6 1/8 inches or less in height and can be cased in the separations of the carrier's case. For example, small magazines less than 3/8 inch could be counted as letters.

In CCCS, if a carrier is using a two case system and puts a flat in the letter case, the data collector will count the flat-shaped mailpiece as a letter.

Certainly, human error is possible, whether it be at the carrier case or at the BMEU.

However, it must be noted that none of the noted differences constitute more than a minor percentage of the total volume involved. A very small error in classification from the major shape (periodical flat) to one of the minor shape (periodical letter) would be magnified in

**RESPONSE OF POSTAL SERVICE WITNESS HARA HUSH TO
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

the small shape estimate. But by no means does the minor classification error even indicate that there is a systematic data collection problem.

e. ODIS/RPW results are not used in any of the comparisons discussed in 16a through 16d; the comparisons of estimates are between the carrier statistical systems and data derived from PostalOne. Thus, an analysis of the relative reliability of ODIS/RPW versus and the RCCS and CCCS surveys will not shed light on these issues.

In general, if "reliability" is construed as having lower statistical variance, then ODIS/RPW will be more reliable than RCCS and CCCS respectively, because ODIS/RPW has a larger quarterly sample size. However, if "reliability" is not construed in this sense, it is impossible to answer the question about the general reliability without specifying a particular mail category and a particular end use of the data, because the systems have different purposes and use different rules in order to achieve different results.

Both CCCS and RCCS have very strict and detailed editing rules and error checks embedded in their respective softwares and processes. The checks and editing processes are discussed in LR -11 and LR -12. However, to recap the points of the library references, there are data quality checks in each of the systems' data entry software, checks as the data are transferred from the laptop to the web base unit, weekly checks of the data by headquarters personnel as the data are transferred from the web base unit to the mainframe (including callbacks to field personnel), checks of the data on the sum of

**RESPONSE OF POSTAL SERVICE WITNESS HARAHUSH TO
POIR NO. 5, QUESTIONS 16b, 16d, AND 16e**

RCCS and CCCS to the quarterly RPW Report (rolled up to CRA rate levels over all shapes) and checks of the RCCS and CCCS by personnel other than those in Statistical Programs.

RESPONSE OF POSTAL SERVICE WITNESS THOMAS W. HARAHUSH TO
INTERROGATORY POSED BY PARCEL SHIPPERS ASSOCIATION

PSA/USPS-T4-1. Please refer to your response to POIR No. 5, Question 16 which states, "There are other instances where Periodicals may show as flats on mailing statements and parcels in the data systems. For example, if a large but less than $\frac{3}{4}$ inch flat is rolled prior to its receipt by the carrier so the carrier can handle the mailpiece easily and efficiently, the flat would be counted as a parcel in the carrier systems because it is thicker than $\frac{3}{4}$ inch. Furthermore, if a Periodical flat is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle as a Periodical parcel, using the top-piece rule. Similarly in RCCS, rigid flats (including properly prepared "do not bend" mailpieces) that exceed five inches in height are recorded in the Parcel Compensation Category as well as other mailpieces that cannot fit in the case with other mail. In the CCCS, if a large Periodical flat is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system."

- (a) Please discuss all instances where Standard Mail pieces that are less than $\frac{3}{4}$ inch thick "may show as flats on mailing statements and parcels in the data systems."
- (b) Does the Postal Service's method of transferring Standard Regular costs from parcels to flats account for the fact that some Standard Mail pieces that are less than $\frac{3}{4}$ inch thick "may show as flats on mailing statements and parcels in the data systems." If so, please explain fully.
- (c) Please discuss all instances where First-Class Mail pieces could be counted as flats by RPW and as parcels in the data systems.

RESPONSE:

- (a) In the CCCS, if a standard mailpiece that is less than $\frac{3}{4}$ inch is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system. Additionally, if a mailpiece is less than $\frac{1}{4}$ inch in thickness and longer than 15 inches but less than or equal to 15 $\frac{1}{4}$ inches in length, the mailpiece could be classified as a flat on the mailing statements but as a parcel in CCCS.

In RCCS, if a standard mailpiece is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle in the standard parcel or direct bundle compensation category, using the top-piece rule.

Similarly in RCCS, rigid flats (including properly prepared "do not bend" mailpieces) that exceed five inches in height are recorded in the Parcel Compensation Category as well as other mailpieces that cannot fit in the case separation with other mail.

RESPONSE OF POSTAL SERVICE WITNESS THOMAS W. HARAUSH TO
INTERROGATORY POSED BY PARCEL SHIPPERS ASSOCIATION

In IOCS, I am told that if a mailpiece is less than $\frac{3}{4}$ inch in thickness and longer than 15 inches but less than or equal to $15\frac{3}{4}$ inches in length, the mailpiece could be classified as a flat on the mailing statements but as a parcel in IOCS.

TRACS does not collect data on shape, so the issue does not arise.

(b) [Redirected to Witness Smith, USPS-T-13.]

(c) In the CCCS, if a First-Class mailpiece that is less than $\frac{3}{4}$ inch is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system. Additionally, if a presort mailpiece that satisfies DMM 301.3.4.2 is $\frac{3}{4}$ inch to $1\frac{1}{4}$ inch thick or is 15 inches to $15\frac{3}{4}$ inches long, the mailpiece could be classified as a flat by RPW and as a parcel in CCCS.

In RCCS, if a First-Class mailpiece is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle in the First-Class parcel or direct bundle compensation category, using the top-piece rule. Similarly in RCCS, rigid flats (including properly prepared "do not bend" mailpieces) that exceed five inches in height are recorded in the Parcel Compensation Category as well as other mailpieces that cannot fit in the case separation with other mail.

In IOCS, I am told that if a presort mailpiece that satisfies DMM 301.3.4.2 is $\frac{3}{4}$ inch to $1\frac{1}{4}$ inch thick or is 15 inches to $15\frac{3}{4}$ inches long, the mailpiece could be classified as a flat by RPW and as a parcel in IOCS.

TRACS does not collect data on shape, so the issue does not apply.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
THOMAS W. HARA HUSH TO VALPAK INTERROGATORY

VP/USPS-T4-1. Please refer to your testimony at page 2, lines 15-16, where you state that the City Carrier Cost System ("CCCS") is a sample system that collects "data to determine ... the volume of mail by shape and category of mail...."

- a. How are Detached Address Labels ("DALs") recorded in the CCCS? That is, in *what category of mail are they recorded?*
- b. What information does the CCCS record for DALs in the sample? That is, does the recorder identify and count it explicitly as a DAL? Or, is it recorded simply as a letter-shaped piece of ECR mail, or as something else?
- c. Please identify all items in other, separate rate categories, that the CCCS also records in the same category as DALs.
- d. Do CCCS data make any distinction between DALs and other items that are recorded in the same category with DALs? That is, do CCCS data support an estimate of the proportion of, say, DALs delivered by city carriers, similar to the estimates of the proportion of private mailing cards and presort private cards shown in your Table 1 on page 4 of your testimony? If not, please explain in what way and to what extent CCCS data enable or support an estimate of the proportion of DALs delivered by city carriers.

RESPONSE:

- a. DALs are recorded in the rate category under which they are endorsed, almost always as a letter shape.
- b. In FY 2005, CCCS collected class, subclass, and shape information for DALs.
- c. In CCCS, all mailpieces in a particular rate category will be counted in that rate category.
- d. During FY 2005 in CCCS, there was no information collected that allowed for the separation of a particular rate category between DALs and any other type of mailpiece in the same rate category.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
THOMAS W. HARAUSH TO VALPAK INTERROGATORY

VP/USPS-T4-2.

- a. With respect to the CCCS, does the Postal Service have any minimum volume threshold for identifying separately items such as private mailing cards, or presort private cards? If so, what is the threshold volume above which the Postal Service considers explicit breakouts of different items?
- b. What factors, other than volume, determine whether the CCCS collects explicit data about an item in the mail, such as DALs? As part of your explanation, please indicate why the CCCS has collected no explicit information on the billions of DALs that city carriers deliver each year.

RESPONSE:

- a. In CCCS there is no minimum volume threshold for identifying particular segments of any rate category.
- b. The CCCS collects data that is used to support 1) CRA reports and 2) rate making decisions. The data collected in CCCS are dependent upon the data needs of other areas of the Postal Service without unduly burdening the city carrier.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
THOMAS W. HARAUSH TO VALPAK INTERROGATORY

VP/USPS-T4-3.

- a. Does the Postal Service have any plans to alter the CCCS so as to collect more explicit data on the volume of DALs that are delivered by city carriers? If so, please describe such plans.
- b. Do CCCS data distinguish flats that are (i) taken directly to the street, or (ii) cased?
- c. Do CCCS data distinguish DALs that are (i) taken directly to the street, (ii) cased, and (iii) DPS'd?
- d. Were any changes made in the CCCS to accommodate, or distinguish, DPS'd mail? If so, please describe those changes, including the rationale for such changes.
- e. Do you anticipate making any changes in the CCCS to accommodate, or distinguish, FSS'd mail, after the Flat Sequencing System ("FSS") is deployed and becomes operational? If so, please describe those changes, including the rationale for such changes.
- f. Have any changes been made in the CCCS as a result of the old carrier costing system no longer being used? If so, please describe any such changes, and their rationale.
- g. Do you anticipate making any changes made in the CCCS as a result of the old carrier costing system that witness Bradley (USPS-T-14) proposed in Docket No. R2005-1, and again in this case? If so, please describe any such changes, and their rationale.

RESPONSE:

- a-d. In Q1 2006, CCCS began collecting specific data on DALs, but on a district by district basis. In Q2 2006, all districts were collecting specific data on DALs.

The CCCS now collects, for the Standard ECRWSS rate category the following information on DALs. For DPS letters, CCCS records whether the mailpiece is a DAL. For other letters, CCCS records whether the mailpiece is a DAL and also records whether the mailpiece is cased by the carrier. For flats, CCCS records whether the flat is cased by the carrier.

- e. Any future changes in CCCS will be dependent upon the needs and requirements of the Postal Service. See response to VP/USPS-T4-2b.
- f. With the exception of changes described in part (a) above, CCCS is essentially recording data as it has in the past.
- g. I assume you are referring to the City Carrier Street Time Survey (CCSTS), a study introduced by Professor Bradley in the last omnibus case, which I would

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
THOMAS W. HARAUSH TO VALPAK INTERROGATORY

not characterize as "old." Yes, to the extent that the new methodology provides the opportunity to streamline current data collection procedures and obtain relevant data, CCCS would adopt such changes. Discussion of plans for change to CCCS based on Docket No. R2005-1 and this rate case is premature as any changes to a data collection system require study and testing.

RESPONSE OF POSTAL SERVICE WITNESS THOMAS W. HARAUSH TO
INTERROGATORY POSED BY VALPAK

VP/USPS-T4-4. For the universe of flats delivered by the Postal Service, please provide the following information and indicate the source(s) used:

- a. What proportion or share of all flats is delivered by city carriers?
- b. What proportion or share of all flats is delivered by rural carriers?
- c. What proportion or share of all flats is delivered by highway contract carriers or to post office boxes and General Delivery?

RESPONSE:

- a. Using the volume total in USPS-LR-L-87 (2-Page Flats) as the universe of flats delivered by the Postal Service (54,055,989), and the domestic flats delivered by city carriers on letter routes from USPS-LR-L-11 (31,003,175), the proportion of flats delivered by city carriers on letter routes is 0.574.
- b. [Redirected to witness Riddle, USPS-T-5.]
- c. I am told that the proportion of all flats delivered by highway contract carriers and to post boxes and General Delivery is not available.

RESPONSE OF POSTAL SERVICE WITNESS THOMAS W. HARAUSH TO
INTERROGATORY POSED BY VALPAK

VP/USPS-T4-5. Please refer to your testimony, page 5, Table 2, and the distribution of standard flats shown therein. Also, please refer to the Attachment to this interrogatory, which uses the USPS FY 2005 Billing Determinants. Columns (1)-(3) of the Attachment contain the FY 2005 volume of Standard flats as shown in the billing determinants. Column (4) of the Attachment shows the distribution of Standard flats in the billing determinants. Column (5) shows the billing determinants distribution of flats "normalized" — or reduced — to 0.7504, so as to be comparable to the corresponding "Proportion of Total" entries shown in your Table 2, column 1.

- a. Based on the Coefficient of Variation ("C.V.") of ECR Saturation flats in your Table 2, what is the likelihood that ECR Saturation flats in fact represented 20.39 percent of all flats delivered by city carriers as shown in the Attachment?
- b. Based on the C.V. of ECR All Other flats in your Table 2, what is the likelihood that ECR All Other flats in fact represented 27.77 percent of all flats delivered by city carriers as shown in the Attachment?
- c. Based on the C.V. of Other Standard flats in your Table 2, what is the likelihood that Other Standard flats in fact represented 26.88 percent of all flats delivered by city carriers as shown in the Attachment?
- d. Please provide any explanation that you might have, or insights to offer, as to why the proportions of Standard flats volume in the billing determinants do not fall within the 95 percent confidence limits in your Table 2?

Attachment to VP/USPS-T4-5

(6)	(1)	(2)	(3)	(4)	(5)
	FY 2005 Billing Determinants			Billing Determinants	B.D. Flats
				Flats	Distribution
FY 2005 ECR FLATS CCSTS	Commercial	Nonprofit	Total	Distribution	"Normalized"
Distribution					
Saturation	10,646,187,084	460,054,962	11,106,242,046	27.17%	20.39%
0 1966					
Other ECR	13,783,130,762	1,342,053,989	15,125,184,751	37.00%	27.77%
0 2990					
TOTAL ECR	24,429,317,846	1,802,108,951	26,231,426,797		
ECR LETTERS	7,537,106,525	1,254,884,596	8,791,991,121		
	31,966,424,371	3,056,993,547	35,023,417,918		
REGULAR FLATS	12,573,206,223	2,071,763,007	14,644,969,230	35.83%	26.88%
0.2548					
REGULAR LETTERS	41,355,658,971	9,918,045,338	51,273,704,309		
	53,928,865,194	11,989,808,345	65,918,673,539	100.00%	75.04%
0.7504					

Source of column 6: USPS-T-4, page 5, Table 2. (See response to NAA/USPS-T4-1.)

Source of column 5: Column 4, normalized to 75.04%.

RESPONSE OF POSTAL SERVICE WITNESS THOMAS W. HARAHUSH TO
INTERROGATORY POSED BY VALPAK

RESPONSE:

- a. Table 2 on page 5 of my testimony shows a 95 percent two-sided confidence interval for ECR Saturation of (0.1897, 0.2035). As such, the probability of a true value being greater than the upper limit of the estimated confidence interval shown in the table is 2.5 percent.
- b. Table 2 on page 5 of my testimony shows a 95 percent two-sided confidence interval for ECR All Other of (0.2933, 0.3047). As such, the probability of a true value being less than the lower limit of the estimated confidence interval shown in the table is 2.5 percent.
- c. Table 2 on page 5 of my testimony shows a 95 percent two-sided confidence interval for Other Standard flats of (0.2506, 0.2590). As such, the probability of a true value being greater than the upper limit of the estimated confidence interval shown in the table is 2.5 percent.
- d. The estimates in Table 2 apply only to flats delivered by city carriers on letter routes. All other means of delivery of mail are excluded from the estimates in Table 2. For example, USPS-LR-L-11 describes city carrier routes that are excluded from the City Carrier Cost System. As shown in my response to interrogatory VP/USPS-T4-4(a), a large proportion of flat mail is not delivered by city carriers on letter routes.

POSTAL RATE COMMISSION
DOCKET NO. R2006-1
DECLARATION OF THOMAS W. HARAUSH

I hereby declare, under penalty of perjury, that:

The Direct Testimony of Thomas W. Harahush on Behalf of the United States Postal Service, marked as USPS-T-4, was prepared by me or under my direction; and

If I were to give this testimony before the Commission orally today, it would be the same as originally filed on May 3, 2006.

I have no Category 2 library references.

My responses to written cross-examination, in the forms of interrogatory responses and responses to Presiding Officer's Information Requests, would be the same were I to answer them today.

Thomas W. Harahush
Thomas W. Harahush

DATE 8/21/06

1 CHAIRMAN OMAS: Is there any additional
2 written cross-examination for Witness Harahush?

3 (No response.)

4 CHAIRMAN OMAS: There being none, we'll move
5 to our next witness.

6 Mr. Koetting, would you identify your next
7 witness so that I may swear her in?

8 MR. KOETTING: Thank you, Mr. Chairman. The
9 Postal Service calls as its next witness Joyce Coombs.

10 CHAIRMAN OMAS: Ms. Coombs, would you raise
11 your right hand?

12 Whereupon,

13 JOYCE K. COOMBS

14 having been duly sworn, was called as a
15 witness and was examined and testified as follows:

16 CHAIRMAN OMAS: Please be seated.

17 THE WITNESS: Thank you.

18 DIRECT EXAMINATION

19 BY MR. KOETTING:

20 Q Would you please state your full name and
21 position for the record?

22 A Joyce K. Coombs, operations specialist.

23 CHAIRMAN OMAS: Ms. Coombs, is your mic on?

24 THE WITNESS: It is.

25 CHAIRMAN OMAS: Pull it just a little bit

1 closer to you.

2 THE WITNESS: Thank you.

3 CHAIRMAN OMAS: That's good.

4 (The document referred to was
5 marked for identification as
6 Exhibit No. USPS-T-44.)

7 BY MR. KOETTING:

8 Q Ms. Coombs, I've just handed you two copies
9 of a document entitled Direct Testimony of Joyce K.
10 Coombs on Behalf of the United States Postal Service
11 designated USPS-T-44. Are you familiar with that
12 document?

13 A I am.

14 Q And was that prepared by you or under your
15 supervision?

16 A It was prepared by me.

17 Q If you were to testify orally today, would
18 your testimony be the same?

19 A It would.

20 MR. KOETTING: With that, Mr. Chairman, the
21 Postal Service moves the direct testimony of Joyce K.
22 Coombs on behalf of the United States Postal Service,
23 USPS-T-44, into evidence.

24 CHAIRMAN OMAS: Is there any objection?

25 (No response.)

1 CHAIRMAN OMAS: Hearing none, I will direct
2 counsel to provide the reporter with two copies of the
3 corrected direct testimony of Joyce K. Coombs.

4 That testimony is received into evidence.
5 However, as is our practice, it will not be
6 transcribed.

7 (The document referred to,
8 previously identified as
9 Exhibit No. USPS-T-44, was
10 received in evidence.)

11 CHAIRMAN OMAS: Ms. Coombs, have you had an
12 opportunity to review the packet of written cross-
13 examination provided to you this morning?

14 THE WITNESS: I have.

15 CHAIRMAN OMAS: If the questions contained
16 in that packet were asked of you orally today would
17 they be the same as those you previously provided to
18 the Commission in writing?

19 THE WITNESS: They would.

20 CHAIRMAN OMAS: Are there any corrections or
21 additions you would like to make to those answers?

22 THE WITNESS: No, sir.

23 CHAIRMAN OMAS: Counsel, there being none,
24 would you please provide two copies of the corrected
25 designated written cross-examination of Witness Coombs

1 to the reporter?

2 That material is received into evidence and
3 is to be transcribed into the record.

4 (The document referred to was
5 marked for identification as
6 Exhibit No. USPS-T-44 and was
7 received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS JOYCE K. COOMBS
(USPS-T-44)

<u>Party</u>	<u>Interrogatories</u>
Advo, Inc.	ADVO/USPS-T44-1-3, 6-8 ADVO/USPS-T42-8, 14, 16, 18-20 redirected to T44 AMZ/USPS-T44-6 NAA/USPS-T44-1-5, 8-17 VP/USPS-T44-2-19, 21-22, 25-26, 33
Amazon.com, Inc.	AMZ/USPS-T44-1-6
Newspaper Association of America	ADVO/USPS-T44-6-8 NAA/USPS-T44-1-5, 8-10, 12-17 VP/USPS-T44-1-15, 25, 35
Parcel Shippers Association	UPS/USPS-T37-6 redirected to T44
Postal Rate Commission	ADVO/USPS-T42-8, 14, 16 redirected to T44 DFC/USPS-T44-1-2 UPS/USPS-T44-1 UPS/USPS-T37-6 redirected to T44 VP/USPS-T44-1-3, 5-19, 21-26, 30-33, 34c-d, 35 VP/USPS-T30-8a redirected to T44
United Parcel Service	UPS/USPS-T44-1 UPS/USPS-T37-6 redirected to T44

Party

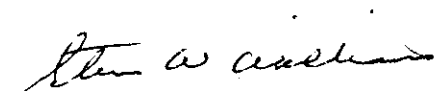
Valpak Direct Marketing Systems,
Inc. and Valpak Dealers'
Association Inc.

Interrogatories

VP/USPS-T44-1-19, 21-26, 30-33, 34c-d, 35

VP/USPS-T30-8a redirected to T44

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steven W. Williams", written in a cursive style.

Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS JOYCE K. COOMBS (T-44)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
ADVO/USPS-T44-1	Advo
ADVO/USPS-T44-2	Advo
ADVO/USPS-T44-3	Advo
ADVO/USPS-T44-6	Advo, NAA
ADVO/USPS-T44-7	Advo, NAA
ADVO/USPS-T44-8	Advo, NAA
ADVO/USPS-T42-8 redirected to T44	Advo, PRC
ADVO/USPS-T42-14 redirected to T44	Advo, PRC
ADVO/USPS-T42-16 redirected to T44	Advo, PRC
ADVO/USPS-T42-18 redirected to T44	Advo
ADVO/USPS-T42-19 redirected to T44	Advo
ADVO/USPS-T42-20 redirected to T44	Advo
AMZ/USPS-T44-1	Amazon
AMZ/USPS-T44-2	Amazon
AMZ/USPS-T44-3	Amazon
AMZ/USPS-T44-4	Amazon
AMZ/USPS-T44-5	Amazon
AMZ/USPS-T44-6	Advo, Amazon
DFC/USPS-T44-1	PRC
DFC/USPS-T44-2	PRC
NAA/USPS-T44-1	Advo, NAA
NAA/USPS-T44-2	Advo, NAA
NAA/USPS-T44-3	Advo, NAA
NAA/USPS-T44-4	Advo, NAA
NAA/USPS-T44-5	Advo, NAA
NAA/USPS-T44-8	Advo, NAA
NAA/USPS-T44-9	Advo, NAA
NAA/USPS-T44-10	Advo, NAA
NAA/USPS-T44-11	Advo
NAA/USPS-T44-12	Advo, NAA
NAA/USPS-T44-13	Advo, NAA
NAA/USPS-T44-14	Advo, NAA

Interrogatory

NAA/USPS-T44-15
 NAA/USPS-T44-16
 NAA/USPS-T44-17
 UPS/USPS-T44-1
 UPS/USPS-T37-6 redirected to T44
 VP/USPS-T44-1
 VP/USPS-T44-2
 VP/USPS-T44-3
 VP/USPS-T44-4
 VP/USPS-T44-5
 VP/USPS-T44-6
 VP/USPS-T44-7
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 VP/USPS-T44-23
 VP/USPS-T44-24
 VP/USPS-T44-25
 VP/USPS-T44-26
 VP/USPS-T44-30
 VP/USPS-T44-31
 VP/USPS-T44-32
 VP/USPS-T44-33
 VP/USPS-T44-34c
 VP/USPS-T44-34d

Designating Parties

Advo, NAA
 Advo, NAA
 Advo, NAA
 PRC, UPS
 PRC, PSA, UPS
 NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, NAA, PRC, Valpak
 Advo, PRC, Valpak
 Advo, PRC, Valpak
 Advo, PRC, Valpak
 Advo, PRC, Valpak
 Advo, PRC, Valpak
 PRC, Valpak
 PRC, Valpak
 Advo, NAA, PRC, Valpak
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 PRC, Valpak
 Advo, PRC, Valpak
 PRC, Valpak
 PRC, Valpak

Interrogatory

VP/USPS-T44-35

VP/USPS-T30-8a redirected to T44

Designating Parties

NAA, PRC, Valpak

PRC, Valpak

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO INC.**

ADVO/USPS-T44-1.

With respect to the plans for FSS and its potential for route restructuring, has the USPS considered any new flat containers or any new carrier containers or vehicles?

RESPONSE:

The data from the testing of FSS has not been analyzed, and no information is currently available. However, it is generally believed that FSS will require some equipment modifications.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO INC.**

ADVO/USPS-T44-2.

On page 8, you state that: "The FSS mail bundles will be picked up in the FSS staging area and taken directly to the street just as DPS letters are currently handled."

- a. With respect to FSS mail bundles, will the FSS or allied labor actually bundle and somehow tie out FSS processed mail? Please explain.
- b. Will the staging area at the DDU generally be on the dock or just inside the dock door? Or will there be some other area generally designated to be the staging area? Please explain.

RESPONSE:

- a., b. The data from the testing of FSS has not been analyzed, and no information is currently available. This decision will be determined when the data is fully analyzed.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO INC.**

ADVO/USPS-T44-3.

Please identify the types of containers that carriers generally use to move mail from their cases to their vehicles and explain why they are used. If this varies by type or shape of mail, please explain. If carriers use containers within containers (e.g., trays within hampers), please also explain those arrangements.

RESPONSE:

Carriers generally use canvas hampers (or modified hampers) to move their mail from their case to the vehicle. Within the hamper, the carrier will generally have "trayed" residual letters and flats and DPS letters. Saturation flat-shaped piece bundles and parcels are also in the hamper.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO INC.**

ADVO/USPS-T44-6.

On page 8, you state:

“It is currently projected that the majority of all Standard Mail flat-shaped pieces will be processed using FSS once it is implemented, with the possible exception of saturation flats. Periodicals and First Class Mail flat-shaped pieces will also be processed utilizing FSS, but they will be impacted to a lesser degree because of service standards, particularly for First-Class Mail.”

Please explain this statement—i.e., to what degree do you believe that Standard Mail flat-shaped pieces will be impacted by FSS?

RESPONSE:

As I have stated previously, the data from testing FSS has not been analyzed and the information is not available. However, it is generally believed that the majority of all Standard Mail flat-shaped pieces will eventually be processed with FSS. Periodicals and First Class Mail flat-shaped pieces have different service standards. It is generally believed that FSS will be utilized for these flat-shaped pieces as well as long as the operational window and service standards permit.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO INC.**

ADVO/USPS-T44-7.

Once FSS is implemented,

- a. At what processing point will Standard mail flats be combined with First Class/Periodicals/Package Service flats? Please explain fully.
- b. At what point will the processing of Standard mail flats at the plan be halted in the event that some of those flats need to be deferred as a result of a carrier supervisor decision? Please explain fully.

RESPONSE:

The data from the testing of FSS has not been analyzed, and no information is currently available.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO INC.**

ADVO/USPS-T44-8.

On pages 8 and 9, you explain that FSS will save considerable amount of in-office time but may impact street time. If the USPS has quantified the extent of the impact on in-office and/or street time, please provide that information. If it has not quantified the extent of that impact, please explain why.

RESPONSE:

The Postal Service has not yet quantified the impact because the data from the FSS test has not been analyzed and the information is not currently available.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO,
REDIRECTED FROM WITNESS MCCRERY (USPS-T-42)**

ADVO/USPS-T42-8.

For the following types of mailer-prepared saturation/high-density flat mail containers dropped at the delivery unit dock, please identify the steps the clerk/mailhandlers at that delivery unit will perform on the mail, up to the point where it is placed so that the carriers can access it.

RESPONSE:

The process for handling the below named items varies somewhat across operational units depending on the unit space and configuration. In my experience, the bundles and sacks that are listed are handled as follows:

- a. Pallets with CR bundles are originally handled in the dock or staging area. If the pallet is shrink-wrapped, the wrap is removed. The bundles are then handled according to the rolling stock that is available. Some units use nutting trucks and others have modified equipment known as "battleships" which are similar to, but larger than, nutting trucks. The bundles are stacked on a pre-configured route location area of the nutting truck, or they are placed in flat tubs on the truck that are also pre-marked with the route numbers. Once the truck is full, the bundles are taken to the carrier's hamper to go directly to the street if possible. If the bundles require additional sorting, they are placed at the carrier's case for casing. Additionally, in a limited number of offices, a small fork lift is used to take the pallet directly to the carrier's hamper area and the bundles are distributed directly into the carrier's parcel hamper.
- b. Pallets with CR sacks are originally handled in the dock or staging area. If the pallet is shrink-wrapped, the wrap is removed. The sacks are then

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO,
REDIRECTED FROM WITNESS MCCRERY (USPS-T-42)**

handled according to the rolling stock that is available. Some units use nutting trucks and others have modified equipment known as "battleships" which are similar to, but larger than, nutting trucks. The sacks are stacked on the truck in route order. Once the truck is full, the sacks are taken to the carrier's parcel hamper to go directly to the street if possible. The sacks are generally dumped by the clerk/mail handler. If the sacks contain product that requires additional sorting, they are placed at the carrier's case for casing.

- c. CR sacks are originally handled in the dock or staging area. The sacks are handled according to the rolling stock that is available. Some units use nutting trucks and others have modified equipment known as "battleships" which are similar to, but larger than, nutting trucks. The sacks are stacked on the truck in route order. Once the truck is full, the sacks are taken to the carrier's parcel hamper to go directly to the street if possible. The sacks are generally dumped by the clerk/mail handler. If the sacks contain product that requires additional sorting, they are placed at the carrier's case for casing.
- d. Rolling containers with CR bundles are handled according to whether the bundles contained are in some semblance of sequence order. If they are received in an APC and are in mixed sequence order, they are handled similarly to pallet-loaded CR bundles. Some units use nutting trucks and others have modified equipment known as "battleships" which are similar

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO,
REDIRECTED FROM WITNESS MCCRERY (USPS-T-42)**

to, but larger than, nutting trucks. The bundles are stacked on a pre-configured route location area of the nutting truck, or they are placed in flat tubs on the truck that are also pre-marked with the route numbers. Once the truck is full, the bundles are taken to the carrier's hamper to go directly to the street if possible. If the bundles require additional sorting, they are placed at the carrier's case for casing. If they are received in an APC or other rolling container and are in some semblance of sequence order, they may be taken directly to the carrier's hamper or case.

- e. Rolling containers with CR sacks are handled according to whether the sacks contained are in some semblance of sequence order. If they are received in an APC and are in mixed sequence order, they are handled similarly to pallet-loaded CR sacks. Some units use nutting trucks and others have modified equipment known as "battleships" which are similar to, but larger than, nutting trucks. The sacks are stacked on a pre-configured route location area of the nutting truck, or they are placed in flat tubs on the truck that are also pre-marked with the route numbers. Once the truck is full, the sacks are taken to the carrier's hamper to go directly to the street if possible. If the sacks contain material that requires additional sorting, they are placed at the carrier's case for casing. If they are received in an APC or other rolling container and are in some semblance of sequence order, they may be taken directly to the carrier's hamper or case.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO,
REDIRECTED FROM WITNESS MCCRERY (USPS-T-42)**

ADVO/USPS-T42-14.

With respect to ECR/NECR saturation letters that were dropped at the DDU:

- (a) Were the mailer-prepared bundles and containers generally opened first at the DDU or at the DSCF? (b) If the mailer-prepared containers were opened first at the DDU, were those containers resealed and shipped back to the processing center? If not, how were they containerized for the shipment back?

RESPONSE:

a - b) Delivery unit personnel should first open a container (e.g., tray) or bundle of letters within the ECR/NECR mailing in order to determine whether the pieces can successfully be sequenced on automation, assuming the mailing is for an automated incoming secondary (DPS) zone. If the mailing appears to be automation compatible, it should be shipped to the plant for processing in either the mailer-prepared container or by loading the trays onto rolling stock. If the pieces do not appear to be fully automation compatible, the mailing will be retained and opened at the delivery unit.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO,
REDIRECTED FROM WITNESS MCCRERY (USPS-T-42)**

ADVO/USPS-T42-16.

Please identify the types of automated processing equipment that may be found at Post Offices, Stations and Branches.

RESPONSE:

Post Offices, Stations, and/or Branches might have CSBCSs or DBCSs. If they are located in the same facility as a mail processing unit, they could also have AFSM 100s or UFSM 1000s.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO,
REDIRECTED FROM WITNESS MCCRERY (USPS-T-42)**

ADVO/USPS-T42-18.

Please confirm that saturation flat mailers that drop their mail at DDUs often, if not always, unload their trucks and place the mail in a postal-designated location.

RESPONSE:

It is confirmed that at the majority of DDUs, flat mailers place their mail in a postal-designated location.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO,
REDIRECTED FROM WITNESS MCCRERY (USPS-T-42)**

ADVO/USPS-T42-19.

Please identify the proportion of post offices, stations, and branches that cannot accommodate pallet handling.

RESPONSE:

I have been informed that 66 percent of post offices, stations, branches, delivery distribution centers, and carrier annexes cannot accommodate pallet handling.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF ADVO,
REDIRECTED FROM WITNESS MCCRERY (USPS-T-42)**

ADVO/USPS-T42-20.

Please confirm that for post offices, stations, and branches that cannot accommodate pallet handling, saturation flat mailers that drop ship at such locations generally prepare bundles or sacks in rolling stock containers.

RESPONSE:

They are generally prepared in bundles or sacks in rolling containers.

RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO INTERROGATORIES OF AMAZON.COM.

AMZ/USPS-T44-1.

- a. In the current operating environment, please explain the various steps involved in receiving BPM, Media Mail and other parcels at DDUs, and distributing them to carriers.
- b. In the current operating environment, *please explain the various steps that carriers go through to prepare BPM, Media Mail and other parcels for delivery.*
- c. After the Flat Sequencing System ("FSS") is fully deployed, please explain how BPM, Media Mail and other parcels will be handled at DDUs, and explain any changes that are anticipated with respect to the way that parcels are handled.
- d. Do any DDUs receive parcels already presorted to individual carriers, or must parcels always be sorted to carrier route upon arrival at the DDU?
- e. Do any DDUs have a Small Parcel and Bundle Sorter ("SPBS"), or any other equipment, for sorting parcels to individual carrier route?

RESPONSE:

- a. Parcel-shaped mail is generally received at the DDU in All Purpose Containers (APCs) or in sacks from the mail processing facility. The *parcel-shaped pieces are distributed by the clerk at the DDU to the carrier's case or parcel hamper for delivery.*
- b. Carriers receive parcel-shaped pieces at their case or in their hamper.

If the piece is small enough to fit in the carrier's satchel or cart, the carrier will usually place the piece, in the proper delivery order, with the residual mail bundle for distribution. If the piece is too large for the satchel or the cart, the carrier will sequence the *parcels during the loading process at the vehicle so that they are easily accessible for delivery at the correct delivery point.*
- c. The data from the Flat Sequencing System (FSS) test has not yet been analyzed so no information is available.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF AMAZON.COM.**

- d. Carriers sometimes receive parcel-shaped pieces in sacks from the mail processing facility that are already sorted by carrier route and are distributed by the clerk directly to the carrier's hamper.
- e. I am not aware of any DDU that has a Small Parcel and Bundle Sorter at the unit unless the DDU is located in the same building as the mail processing operation. Even in that case, the DDU is located in a distinct part of the facility away from the mail processing operations. DDUs do not have parcel sorting equipment for distributing parcels by individual carrier route.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF AMAZON.COM.**

AMZ/USPS-T44-2.

- a. With respect to the way that parcels are handled within DDUs, please explain which steps are the most time-consuming (and costly).
- b. Please explain what particular features of parcels, or what types of parcels, require a disproportionate amount of time (and cost) to handle at DDUs.

RESPONSE:

- a. I am not aware of any time and motion studies that have been conducted that would identify the most time-consuming or costly steps in the parcel distribution operation.
- b. To my knowledge, no study has been conducted that collects data that would provide this information.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF AMAZON.COM.**

AMZ/USPS-T44-3.

- a. Mailboxes (curbline, apartment house, and clusterboxes) come in various sizes. Of the major types of mailboxes in common use, which have the most restrictive dimensions with respect to delivery of parcels?
- b. Vis-a-vis delivery of parcels, what are the limiting dimensions of the most restrictive mailboxes?

RESPONSE:

- a. No study has been conducted that defines the answer to this question. However, generally speaking, apartment house mail receptacles and older door slots have the smallest and most restrictive mail dimensions.
- b. The smaller the mail receptacle, the more limiting the receptacle becomes for mail delivery in general. Smaller door slots and top-loading wall mounted receptacles have very limiting dimensions. The actual dimensions specified for door slots are 1 ½ inches tall and 7 inches long. For vertical and horizontal central mail receptacles, the dimensions are 4-7/8" x 5-7/8" x 14-7/8".

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF AMAZON.COM.**

AMZ/USPS-T44-4.

Please refer to your testimony at page 14, line 6, through page 16, line 10, and explain how the handling of parcels differs from the handling of rigid flats as described there.

RESPONSE:

The handling of parcel-shaped pieces is generally a much more comprehensible process. A carrier can deduce from the size and shape of a parcel, and from their experience, whether to include the item for delivery with the letter and flat-shaped pieces or whether the item must be delivered separately in the parcel stream. The delivery of rigid pieces is sometimes not that transparent. For example, the rigid item looks as if it will easily fit in an apartment mail receptacle. When the carrier attempts to place it in the receptacle, the item is slightly too wide or slightly too long to fit because of the location of the rigid portion of the item. perhaps depending on whatever else is being delivered on that day.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF AMAZON.COM.**

AMZ/USPS-T44-5.

- a. When a curblin carrier has a parcel for delivery that is too large to fit within the mailbox, does the carrier dismount and attempt to deliver the parcel to the door, or does the carrier simply leave a notice of attempted delivery in the mailbox? Please explain.
- b. Please explain how carriers on foot routes handle parcels, especially parcels that are too large to fit within the mailbox.
- c. Please explain how carriers on park-and-loop routes handle parcels.

RESPONSE:

- a. The carrier is required to dismount and attempt the delivery of parcels on a curblin route when someone is available to receive delivery. A PS Form 3849 is left if no one is available to receive the parcel.
- b. On foot routes, carriers will carry parcels in their satchel or cart and deliver those parcels along with the rest of the mail when they get to the delivery point if the parcel is of the size and weight to fit in the satchel or cart. For parcels that are too large or too heavy to carry in a satchel or cart, carriers assigned to Parcel Post or Combination Routes will deliver the parcel for these foot routes.
- c. On park and loop routes, carriers will carry parcels that are of the size and weight to fit in the satchel or cart and deliver those parcels along with the rest of the mail when they reach the delivery point. For parcels that are too large or heavy to carry in a satchel or cart, two techniques could be used. If the carrier knows that the customer is usually home, the carrier will begin the loop at the point of the parcel delivery rather than the normal park point, or the carrier will bypass the stop until the loop is complete and then drive to the delivery point with both the mail and the parcel.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF AMAZON.COM.**

AMZ/USPS-T44-6.

Please describe any changes that the Postal Service contemplates implementing to increase the efficiency, and reduce the cost, of delivering parcels.

RESPONSE:

The Postal Service is constantly working on methods that reduce costs and improve service to its customers. I am aware of no current initiatives that are specifically designed to reduce the costs of delivering parcels.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF DOUGLAS F. CARLSON**

DFC/USPS-T44-1.

Please refer to your testimony at page 14, lines 8-18. Please provide examples of the hybrid or rigid pieces to which you refer.

RESPONSE:

The most common example is a thin box that cannot be bent without breaking the box. Such boxes are commonly used, for example, for promotional material or charitable appeals sent to the public containing small prizes or rewards such as beads, toys, or other such items.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF DOUGLAS F. CARLSON**

DFC/USPS-T44-2.

Suppose an item measures 10" x 14" x ¼" and is rigid, as if designed to transport a photograph while protecting the photograph from being bent.

- a. Would this mail piece be the type of rigid mail piece to which you refer?
- b. *Could this mail piece be processed on the AFSM 100?*
- c. Could this mail piece be processed on the UFSM 1000?

RESPONSE:

a., b., c. It depends on the nature of the mailer (a term, in this instance, referring to the packaging item, rather than the individual sending the item). If it is "stiff-as-a-board", then it would certainly be a hybrid. If it is a normal, flexible photo mailer consisting of two thin sheets of uncorrugated cardboard, then it would not be a hybrid. Although I am not the witness testifying on mail processing operations, I am told by mail processing experts that a flexible photo mailer can be processed on the AFSM 100, and that either could be processed on the UFSM 1000.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-1.

Please refer to your testimony at page 6, lines 16-20 and page 8, lines 9-13. Do you anticipate that the FSS being developed and tested in Carmel, Indiana, and that is expected to be deployed starting in 2008, will be able to sequence unbound High Density flats "wraps" bearing an address?

RESPONSE:

The data from the testing of FSS has not been analyzed, and no information is currently available.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-2.

Are there any weight or other physical characteristics of High Density flats that will affect their ability to be run on the FSS? If so, please describe.

RESPONSE:

The data from the testing of FSS has not been analyzed, and no information is currently available.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-744-3.

Please refer to your testimony at page 8, lines 9-11 and your response to VP/USPS-T44-2(a). Please clarify whether, or in what circumstances, you anticipate saturation flats mail will be processed by FSS in 2008.

RESPONSE:

The data from the testing of FSS has not been analyzed, and no information is currently available. It is anticipated that saturation mail may be put on the FSS machines if it is determined that it would be operationally efficient, but no final decision has been made.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-4.

Under current city and rural operations, by what time must a saturation flats mailing entered at a DDU arrive in order to be delivered (assuming only one mailing):

- a. on the same day?
- b. no later than the next day?

RESPONSE:

a., b. DDUs have differing operational hours and conditions. Many factors, including carrier reporting times, clerk and BBM staffing, and numerous other operational conditions would affect the time requirements and constraints. For example, if the saturation flat-pieces had a delivery operation window that included two or three acceptable delivery days, and if another saturation flat mailing was already assigned for delivery on the first day, it is possible that the saturation mailing would be delivered on the day following but still within the operational window. Conversely, if a mailing was received at the unit and distributed prior to carrier leaving times, and if the delivery window included the current day, it is possible that the saturation flat-pieces would be delivered on that day.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-5.

Under current city and rural carrier operations, by what tie must a High Density flats mailing entered at a DDU arrive in order to be delivered (assuming only one mailing):

- a. on the same day?
- b. no later than the next day?

RESPONSE:

- a. b. DDUs have differing operational hours and conditions. Many factors, including carrier reporting times, clerk and BBM staffing, and numerous other operational conditions would affect the time requirements and constraints.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-8.

After implementation of FSS sequencing, by what time and where would a High Density flats mailing need to be entered in order to be delivered on a city route (assuming only one mailing):

- a. on the same day?
- b. no later than the next day?

RESPONSE:

- a., b. The data from the testing of FSS has not been analyzed, and no information is currently available.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-9.

After implementation of FSS sequencing, by what time and where would a High Density flats mailing need to be entered in order to be delivered on a rural route (assuming only one mailing):

- a. on the same day?
- b. no later than the next day?

RESPONSE:

- a., b. The data from the testing of FSS has not been analyzed, and no information is currently available.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-10.

After implementation of FSS sequencing, by what time and where would a saturation flats mailing need to be entered in order to be delivered on a city route (assuming only one mailing):

- a. on the same day?
- b. no later than the next day?

RESPONSE:

- a. b. The data from the testing of FSS has not been analyzed, and no information is currently available.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-11.

After implementation of FSS sequencing, by what time and where would a High Density flats mailing need to be entered in order to be delivered on a rural route (assuming only one mailing):

- a. on the same day?
- b. no later than the next day?

RESPONSE:

a., b. The data from the testing of FSS has not been analyzed, and no information is currently available. (This question is identical to NAA/USPS-T44-9).

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-12.

Please describe any expected differences between current and Test Year city carrier delivery operations for Standard ECR Basic flats.

RESPONSE:

I am not aware of any significant changes that will occur in city carrier delivery operations for Standard ECR Basic flats between now and the Test Year. FSS will not be fully deployed in the Test Year so changes from FSS will occur in subsequent years.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-13.

Please describe any expected differences between current and Test Year city carrier delivery operations for Standard ECR High Density flats.

RESPONSE:

I am not aware of any significant changes that will occur in city carrier delivery operations for Standard ECR High Density flats between now and the Test Year. FSS will not be fully deployed in the Test Year so changes from FSS will occur in subsequent years.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-14.

Please describe any expected differences between current and Test Year city carrier delivery operations for Standard ECR saturation flats.

RESPONSE:

I am not aware of any significant changes that will occur in city carrier delivery operations for Standard ECR saturation flats between now and the Test Year. FSS will not be fully deployed in the Test Year so changes from FSS will occur in subsequent years.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-15.

Please describe any expected differences between current and Test Year rural carrier delivery operations for Standard ECR Basic flats.

RESPONSE:

I am not aware of any significant changes that will occur in rural carrier delivery operations for Standard ECR Basic flats between now and the Test Year. FSS will not be fully deployed in the Test Year so changes from FSS will occur in subsequent years.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-16.

Please describe any expected differences between current and Test Year rural carrier delivery operations for Standard ECR High Density flats.

RESPONSE:

I am not aware of any significant changes that will occur in rural carrier delivery operations for Standard ECR High Density flats between now and the Test Year. FSS will not be fully deployed in the Test Year so changes from FSS will occur in subsequent years.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF NEWSPAPER ASSOCIATION OF
AMERICA**

NAA/USPS-T44-17.

Please describe any expected differences between current and Test Year rural carrier delivery operations for Standard ECR saturation flats.

RESPONSE:

I am not aware of any significant changes that will occur in rural carrier delivery operations for Standard ECR saturation flats between now and the Test Year.

FSS will not be fully deployed in the Test Year so changes from FSS will occur in subsequent years.

RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO INTERROGATORY OF UPS

UPS/USPS-T44-1.

Refer to your response to UPS/USPS-T37-6 and USPS-LRL-89, Attachment B, page 2.

- (a) Identify and provide all studies or analyses that examine the differences in *city carrier and rural carrier cost per piece for the delivery of Priority Mail and/or Parcel Post pieces that vary by:*
 - i. Weight
 - ii. Density
- (b) Do city and rural carrier costs for the delivery of Priority and/or Parcel Post pieces increase as weight increases, all else equal? Explain your answer in detail.
- (c) Do city and rural carrier costs for the delivery of Priority Mail and/or Parcel Post pieces increase as cubic feet per piece increases, all else equal? Explain your answer in detail.

RESPONSE:

- a. It is my understanding that no studies or analyses have been conducted that examine the effect of weight or density on city delivery costs or rural costs for Priority Mail or Parcel Post.
- b. I don't address costs in my testimony, but if you are asking me if Priority or Parcel Post pieces that weigh more tend to be handled differently operationally, then I would answer yes. For example, Priority Mail and Parcel Post pieces that weigh more than two pounds, and/or cannot fit into a carrier's satchel or cart, are handled on a separate trip. But whether such differences are generally due to weight, or other factors, such as size or shape, which may be related to weight, I have had no occasion to study, and I have no opinion.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORY OF UPS**

- c. I don't address costs in my testimony, but if you are asking me if Priority or Parcel Post pieces that larger are handled differently operationally, then I would answer yes. For example, Priority Mail and Parcel Post pieces that weigh more than two pounds, and/or cannot fit into a carrier's satchel or cart are handled on a separate trip which increases costs. But whether such differences are generally due to size, or other factors, such as weight or shape or density, which may be related to size, I have had no occasion to study, and I have no opinion.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF VALPAK**

VP/USPS-T44-1.

Please refer to your testimony at page 9, lines 2-4, where you describe how Flat Sequencing Systems ("FSS") will introduce an additional bundle on a regular basis. Is it correct that when FSS becomes operational, carriers on a regular basis will have: (i) a bundle of DPS'd letters; (ii) a bundle of FSS'd flats; and (iii) a bundle of residual letters and flats that the carrier has cased manually? If this is not what is expected in the FSS environment, please explain fully the bundles with which a carrier is expected to have on a regular basis when departing from the DDU.

RESPONSE:

Yes, on those route sections where bundles are required, the carrier is generally expected to have a bundle of DPS letters, a bundle of FSS flats, and a combined bundle of manually cased residual letters and flats in the FSS environment.

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF VALPAK**

VP/USPS-T44-2.

- a. Please refer to your testimony at page 6, lines 16-20. Do you anticipate that the FSS being developed and tested in Carmel, Indiana, and that is expected to be deployed starting in 2008, will be able to sequence unbound ECR "wraps" whether they have either: (i) an address label affixed; (ii) an address printed on them; or (iii) are unaddressed, accompanied by a DAL?
- b. Unless your response to all subsections of preceding part a is an unqualified affirmative, how would such wraps need to be modified in order to make them machineable on the FSS?

RESPONSE:

- a. ECR saturation flat-shaped mail will continue to be processed as it is today although the Postal Service may put saturation mail on the FSS machine in cases where it is determined that it is operationally efficient.
- b. Refer to my response in part a.

RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO INTERROGATORIES OF VALPAK

VP/USPS-T44-3.

This question concerns (i) your testimony at page 13, lines 2-3, which notes that casing host piece flats "would be logistically more challenging than simply casing the letter-shaped DAL cards," and (ii) your testimony at page 9, lines 7-8, which notes that "carriers on walking sections of routes are restricted in the number of bundles that they can carry and deliver."

- a. When carriers with walking sections of routes have one or more bundles of addressed ECR "wraps" for delivery, is it your expectation that they will case the wraps along with the residual letters and flats that the carrier also must case manually? If this is not your expectation, how do you expect addressed, non-machineable wraps to be handled by carriers that are restricted in the number of bundles that they can carry and deliver?
- b. When carriers with walking sections of routes have one or more bundles of unaddressed ECR "wraps" for delivery, accompanied by DALs, is it your expectation that they will case both the wraps and the DALs along with the residual letters and flats that the carrier also must case manually? If this is not your expectation, how do you expect unaddressed, non-machineable wraps and DALs to be handled by those carriers that are restricted in the number of bundles that they can carry and deliver?

RESPONSE:

- a. (i) In the current environment, carriers with one bundle of addressed ECR wraps generally carry them as a third bundle. If there is more than one bundle of ECR wraps, the additional bundle will be deferred to the next day when possible. If it is not possible, the two bundles of ECR wraps will be collated. (ii) If this refers to the environment after FSS is implemented, the data analysis has not yet been completed and no final decision has been made.
- b. (i) In the current environment, carriers with one bundle of unaddressed ECR wraps generally carry them as a third bundle. If there is more than one bundle of ECR wraps, the additional bundle will be deferred to the

next day if possible. If it is not possible, the two bundles of ECR wraps will be collated. (ii) If this refers to the environment after FSS is implemented, the data analysis has not yet been completed and no final decision has been made.

RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO INTERROGATORIES OF VALPAK

VP/USPS-T44-4.

Please refer to your testimony at page 13, lines 6-7, where you state that "[e]xperience in today's delivery unit suggests that sequenced flat-shaped pieces will be taken directly to the street in most cases."

- a. Please elaborate on what you mean by the expression "in most cases."
- b. Please confirm that city carrier routes are divided into four categories: (i) walking, (ii) park & loop, (iii) curblane, and (iv) dismount, depending by the general nature of the route. If you do cannot confirm, please explain how they are categorized.
- c. Specifically, for approximately what percentage of delivery points on city carrier routes will sequenced flat-shaped pieces likely not be taken directly to the street?
- d. What is the percentage of all city carrier routes that contain one or more segments where carriers are restricted in the number of bundles that they can carry and deliver?
- e. What is the percentage of each of the following types of city routes that contain one or more segments where carriers are restricted in the number of bundles that they can carry: (i) walking, (ii) park & loop, (iii) curblane, (iv) dismount.
- f. For those delivery points on city carrier routes where sequenced flat-shaped pieces are not likely to be taken directly to the street, would the presence of a DAL be likely to simplify the delivery operation and reduce the cost? Please explain why, or why not.

RESPONSE:

- a. It is more likely than not.
- b. City carrier routes are generally divided into these categories: Curblane, Foot, Park and Loop, Dismount, and Other
- c. These data are unavailable since they are determined by operational constraints and efficiencies at the local delivery units. No studies have been completed that provide this data. However, Witness Lewis testified in Docket R2005-1, USPS-RT-2, page 5, lines 12-16, that the actual number of deliveries affected by the third bundle restriction is less than

44.3 percent. No further data is available.

d., e. See my response to c.

f. It is generally operational policy that for all delivery points, ECR saturation flat mailings will be taken directly to the street. This would be an issue only when conflicts occur.

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VP/USPS-T44-5.

Please refer to your testimony at page 13, lines 16-18, where you note that in "the presence of two sets of saturation flats on the same delivery day...the two sets of flats would most likely be collated..." For purposes of your response to this interrogatory, please assume that a city carrier who is not restricted as to the number of bundles that can be carried, has two mailings of DALs and unaddressed flats (*i. e.*, "wraps") that must be delivered on the same day.

- a. Please describe how the carrier would handle the two sets, or bundles, of DALs accompanying the flats.
- b. Would city carriers ever collate the two bundles of DALs into a single bundle, and then take the collated bundle of DALs directly to the street?
 - (ii) Would city carriers case one bundle of DALs and take the other bundle of DALs to the street as an extra bundle?
 - (iii) Would city carriers case both bundles of DALs?
 - (iv) Under what conditions would one or both of the bundles of DALs be DPS'd?
- c. Assuming that the Postal Service and city carriers have more than one way of handling two sets of DALs on the same day, please indicate the two or three most likely ways.
- d. For those city carriers who are not restricted as to the number of bundles they can carry, if the manner in which they would likely handle two sets of DALs on the same day depends in any way on the type or structure of the carrier's route, please explain how the route type or structure enters into the decision as to the best way to handle two sets of DALs.

RESPONSE:

- a. The manager of the unit would determine how the multiple sets of DALs would be handled in order to provide the maximum operational efficiency for the unit.
- b. Generally, they would not.
 - (ii) It is possible that they would.
 - (iii) It is possible that they would.

(iv) Operational constraints would determine if one or both would be DPSd.

- c. Among the possible methods, the two or three most likely include: Casing one DAL and taking the other DAL directly to the street, casing both DALs, and taking both DALs to the street.
- d. For carriers who are not restricted, the type and structure of the route usually does not enter into the decision.

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VP/USPS-T44-6.

To what extent do city carriers collate DALs with their associated flats before leaving the office, and under what circumstances would they be likely to do so?

RESPONSE:

It is unlikely that a city carrier would collate the DAL with the associated flat.

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VP/USPS-T44-7.

- a. On those occasions when city carriers take DALs directly to the street as an extra bundle, please describe all differences between the way that such DALs are handled and the way that saturation letters are handled when taken directly to the street.
- b. If any such differences described in your response to the preceding part a depend on the route type, please so indicate and describe in detail how the route type affects the handling of DALs and saturation letters, when each is taken directly to the street as an extra bundle.

RESPONSE:

- a. The differences would largely depend on the operational constraints of the letter-shaped saturation mailing. The size, shape, and weight of the letter pieces generally determine how the mailing is handled to provide maximum operational efficiency.
- b. See my response to a.

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VP/USPS-T44-8.

Please refer to Docket No. R2005-1, USPS-RT-2, page 3, lines 14-18, where witness Lewis describes the difficulties that city carriers encounter when delivering concurrently from two letter-shaped bundles.

- a. Please explain whether the difficulties that are described by witness Lewis apply equally to DALs that are taken directly to the street as an extra bundle.
- b. If the problems described by witness Lewis do not apply equally, please explain fully why not.

RESPONSE:

- a. Yes, they generally do.
- b. See my response to a.

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VP/USPS-T44-9.

This question concerns the practice of city carriers taking DALs directly to the street (*i.e.*, without casing them) as an extra bundle.

- a. Assuming that taking DALs directly to the street as an extra bundle is a viable option — *i.e.*, that it is not precluded by the route type and contractual considerations — does the decision to use that option reside primarily with the carrier, or with the supervisor?
- b. Is taking DALs directly to the street more likely to be a more common practice on some types of routes than on others? If so, please indicate the types of routes where such practice is more or less common, and explain the reason(s) why the practice differs as between route types.
- c. Is the practice of city carriers taking DALs directly to the street as a third bundle influenced, either positively or negatively, by the presence of other saturation mailings to be delivered on the same day (*e.g.*, when the carrier on a given day must deliver not only one saturation mailing with DALs, but also one or more other saturation mailings, either with or without DALs)? If so, please indicate the situation, or setting, where such practice is more common, and explain the reason(s) why the practice differs with respect to other saturation mail that must be delivered concurrent with a DAL mailing.
- d. Does the practice of city carriers taking DALs directly to the street vary systematically with respect to any consideration other than discussed in part b and part c? If so, please indicate any other reasons, or situations, for opting to take DALs directly to the street as a third bundle.
- e. Does the Postal Service collect any kind of data that indicate the frequency with which DALs are taken directly to the street as extra bundles? If so, please indicate what the frequency is and where such data can be found.
- f. Which practice is more common: (i) city carriers taking DALs directly to the street as extra bundles; or (ii) city carriers casing DALs in the office?

RESPONSE:

- a. Operational decisions reside primarily with the supervisor.

- b. It is generally more likely that the practice of taking DAL cards directly to the street will occur more frequently on routes that are entirely curblane because there is no bundle restriction on these routes.
- c. Decisions on when saturation mailings are delivered are influenced by work load and by other operational conditions. The decisions are made at the unit level.
- d. I do not believe it varies systematically. The determination is made at the unit level.
- e., f. I am not sure which practice is more common, but according to the estimates in the testimony of Postal Service Witness Kelley (USPS-T-30), 46 percent of DAL pieces are cased, and 54 percent of DAL pieces are taken directly to the street.

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VP/USPS-T44-10.

a. Please assume that on day 1 city carriers take directly to the street, as two extra bundles, both unaddressed covers (*i.e.*, wraps) and the associated DALs. On day 2, please assume that the carriers have only one extra bundle of flats, consisting, say, of a single addressed saturation flat (*e.g.*, a catalog). Do the carriers require more street time to deliver both the DAL and the cover (on day 1) than is required when they have a simpler saturation mailing (on day 2)? Please explain, including whether the answer depends on the type of route.

b. Please assume that on day 1 city carriers take directly to the street, as two extra bundles, both unaddressed covers (*i.e.*, wraps) and the associated DALs. On day 2, please assume that the carriers case a set of DALs and take directly to the street only the covers. Do carriers require more time on the street to deliver the DALs and the covers (on day 1) than they require when they have previously cased the DAL and the only "extra" piece with which they must deal while on the street is the unaddressed saturation cover (on day 2)? Please explain, including whether the answer depends on the type of route.

RESPONSE:

a., b. There is no clear yes or no answer. Across the system, and based on my operational experience, there are many different factors that could affect the time required. The type of route could be one of the factors.

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VP/USPS-T44-11.

When city carriers have the option of casing DALs in the office or taking them directly to the street as an extra bundle, a trade-off seemingly exists between (i) in-office time to case DALs, and (ii) street time to deliver DALs as an extra bundle. That is, once a carrier takes time in the office to case DALs, they then can be handled expeditiously on the street as part of the carrier's cased mail, whereas taking DALs directly to the street involves essentially no in office time, but may increase the street time required to handle both the separate bundles of DALs and unaddressed covers.

- a. If you disagree with the foregoing and do not believe that such a trade-off exists, please explain why.
- b. If you agree that such a trade-off does exist, please state whether you consider the Postal Service's least costly handling method to be (i) in-office casing of DALs, or (ii) taking them directly to the street, and explain why. If the answer depends on the route type, please elaborate, and explain which method is generally the least costly by route type.

RESPONSE:

- a. I do not agree. As indicated in my response to VP/USPS-T44-10, I do not believe that operational conditions exist that are sufficiently constant so it is not possible to respond universally.
- b. See the response to a.

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VP/USPS-T44-12.

Please refer to your testimony at page 12, lines 6-8, where you state that "DAL cards are not bar coded and are often not on paper stock that is compatible with automation. This requires many DAL cards to be manually cased" Your testimony implies that DALs are subjected to DPS processing on automation equipment rarely, if ever. Also, please refer to the testimony of witness McCrery (USPS-T-42) at page 12, line 27 to page 13, line 1.

- a. Is this a correct interpretation of your testimony? If not, please clarify, and discuss the extent to which DALs are currently being subjected to DPS processing.
- b. Please reconcile whatever statement you provide in response to preceding part a with the above-referenced testimony of witness McCrery, where he states that DALs "are also often transported back to the plant for DPS processing in order to eliminate the need to manually case the cards in delivery." (USPS-T-42, p.12, l. 27 to p. 13, l. 1.)

RESPONSE:

- a. My testimony stated that DAL cards are often not automation compatible. No data exists to define the frequency at which DALs are cased, taken directly to the street, or automated using DPS.
- b. The testimony of witness McCrery appears to refer only to the DALs that are automation compatible.

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VP/USPS-T44-13.

Please refer to your testimony at page 8, footnote 1, where you note that "[s]aturation flats are defined as mailings delivered to a minimum of 90 percent of total residential or 75 percent of total active deliveries on a route." Also, please refer to your testimony at page 13, lines 15-19, where you discuss the practice of collating two sets of flats. Please assume that on some particular day a city carrier must deliver two sets of unaddressed saturation covers, both with DALs. Please assume further that the two mailings contain the same number of pieces and meet the minimum required percentage for a saturation mailing, but (i) each mailing is for somewhat less than 100 percent of the deliveries on the route, and (ii) the omitted addresses are non-identical. That is, a number of the addresses on the route will receive one, but not the other, of the two covers.

a. Under the above described conditions, would the carrier attempt to collate the two sets of covers? If so, at those delivery points for which only one cover is to be delivered, what would the carrier do with the other collated cover?

b. If the carrier does not collate the two covers, please describe how the carrier most likely would handle the two mailings of saturation covers, as well as the DALs. For example, would the carrier case both sets of DALs and take the two covers to the street as two extra bundles, or would the carrier case one set of DALs and take the other DALs to the street as an extra bundle (*i.e.*, take three extra bundles to the street) along with the two covers?

c. In your opinion, would the time required to handle on the same day two mailings of covers and DALs, such as those described here, be equal to or greater than the time required to handle the two mailings individually on separate days? That is, when two sets of covers and DALs, such as those described here, must be delivered on the same day, does the time required by the carrier to handle the two mailings increase **in proportion to** the increase in volume on that day, or **more than** in proportion to the doubled volume of saturation mail?

RESPONSE:

- a. The decision to collate would be made at the delivery unit level. However, it is highly unlikely that two unaddressed saturation flats would be delivered on the same day. This scenario would only occur in a case

where there was no other alternative. The chances that this particular situation would occur are further narrowed by the fact that, in almost every case, the mailer provides a 2-3 day operational window for their product to be delivered.

- b. Both of these scenarios are possible. It is also possible, on the very rare occasions that this occurs, that the entire route would be motorized since that would eliminate any bundle issues.
- c. My operational experience, coupled with the unlikely probability of the hypothetical scenario described occurring, does not provide me with enough information to answer this question with any degree of certainty.

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VP/USPS-T44-14.

Please refer to your response to VP/USPS-T44-2. Has the Postal Service conducted any test runs of saturation covers (*i.e.*, wraps) on the Flat Sequencing System ("FSS") being developed and tested in Carmel, Indiana?

- a. If so, please describe the results, including whether they were deemed generally successful or unsuccessful.
- b. If not, why not?
- c. If not, have any such test runs been scheduled for this year?

RESPONSE:

No. I have been informed that test runs have not been completed for an entire mailing of saturation covers.

- a. See the response above.
- b. It was not the primary focus of the test.
- c. No.

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VP/USPS-T44-15.

Please refer to your response to VP/USPS-T44-2. Please assume that (i) the FSS has been deployed, (ii) the Postal Service has a mailing of addressed saturation catalogs for delivery, and (iii) the catalogs can be sorted on the FSS, or (iv) the catalogs can be taken directly to the street as an extra bundle.

- a. Please define the phrase "operationally efficient" as you use it in your response to part a of the above-referenced interrogatory.
- b. What criteria would supervisors of carrier units use to determine whether alternative (iii) or (iv) is more operationally efficient?
- c. How would the relative cost of alternatives (iii) and (iv) be factored into the determination of which alternative is more operationally efficient?
- d. What information does the supervisor of a carrier unit have available to determine the relative cost of two alternatives such as those described here?

RESPONSE:

- a. Operationally efficient, as used in the above listed interrogatory response, means that the process is the most effective use of operational resources.
- b. The supervisor might not be the managerial decision-maker in this scenario. It is more likely that the determination to process the catalogs would be made at the processing facility based on operational resources.
- c. I would expect that this will be determined in the future after the appropriate FSS studies are conducted.
- d. It is likely that the supervisor at a delivery unit only has knowledge of

the delivery conditions at that unit. To the extent that it can be determined, it would be based on total cost estimates, for example, including mail processing costs.

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VP/USPS-T44-16.

Please refer to your testimony at page 13, lines 15-19, where you describe carriers' practice of collating two sets of saturation flats for delivery on the same day.

- a. If one set of saturation flats consists of addressed catalogs and the other set consists of DALs and unaddressed covers, would one optional way to handle the two mailings be to case the addressed catalogs and take the DALs and covers directly to the street; *i.e.*, instead of collating the flats? If casing the addressed catalogs is not an option to collating the two mailings of saturation flats, please explain why not.
- b. Is collation the "standard," or preferred, method for carriers to handle the two bundles of saturation flats? If so, please explain why.
- c. If two sets of flats generally can be collated faster than the set of saturation catalogs can be cased, the reduction of in-office time from collation would be approximately what percentage the time required for casing (*e.g.*, 10 percent, 15 to 25 percent)?
- i. If collating is faster than casing, can you estimate how much faster?
- ii. Do situations exist where casing one set of saturation flats is faster than collating?
- d. When two sets of saturation flats need to be delivered, are you aware of any circumstances or situations where city carrier casing of saturation flats is more expeditious or less time-consuming than collating the two? If so, please explain.
- e. Does the Postal Service have actual data or studies that (i) compare the practice of collating vs. casing, and (ii) document in any way the advantages of collating vs. casing? If so, identify them, and provide them, and discuss.

RESPONSE:

- a. It would be an option if the catalogs were of the size and weight that casing them was operationally efficient.
- b. The decision to collate or case flat-shaped pieces is made at the DDU based on the nature of the mailing and the operational resources available.
- c. The time needed to collate or to case flat-shaped pieces varies by the nature of the mailing, the percent of coverage, and the resources. To my knowledge, no studies have been conducted that measure the time

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differences between collating and casing flat-shaped pieces.

- i. See my response to c.
- ii. Yes.
- d. There could be circumstances where casing one set of saturation flats is less time-consuming than collating. Time studies have not been conducted, and the nature of the mailings would be a factor.
- e. To my knowledge, they do not.

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VP/USPS-T44-17.

Please refer to your testimony at page 13, lines 13-21, including your statement that "[t]here are obviously situations that currently exist where flats are not taken directly to the street such as the presence of two sets of saturation flats on the same delivery day."

- a. Please confirm that on motorized curblines routes carriers have no contractual restriction on the number of bundles which they can take directly to the street. If you do not confirm, please explain.
- b. If a carrier on a curblines route has two sets of saturation flats for delivery on the same day, would the carrier most likely (i) collate the two sets in the office and then take the collated bundle to the street, or (ii) take both sets of flats directly to the street and work from two separate bundles in the delivery vehicle? If each alternative is commonly used, please explain the operational conditions under which preceding alternative (ii) would be the most efficient way to handle two sets of saturation flats.
- c. When carriers collate two sets of addressed saturation flats, do they need to read the addresses on each piece?
- d. Please explain how carriers collate two sets of addressed saturation flats when one or both of the two sets have less than 100 percent coverage.

RESPONSE:

- a. They do not have contractual restrictions, but operational restrictions exist.
- b. On a purely curblines route, and in the rare circumstance where both sets of saturation flats had to be delivered on the same day, the carrier would most likely take both sets of flats directly to the street.
- c. Yes.
- d. The flats are collated by placing the identical addresses together.

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VP/USPS-T44-18.

Please assume that a carrier has three sets of addressed saturation flats for delivery on the same day.

- a. Would collation of the three sets into one collated bundle be a viable alternative? Please explain why or why not.
- b. For those routes that have no restriction on the number of extra bundles that carriers can take to the street (e.g., motorized curbside routes), would a viable alternative be to take all three sets directly to the vehicle (i.e., uncollated and uncased) and work from the three separate sets in the vehicle? If this is feasible, please explain how carriers on such routes would work from their bundles of (i) DPS'd letters, (ii) cased flats (and any residual letters), and (iii) three separate bundles of addressed flats.
- c. In today's operating environment, what is the most likely way that carriers would handle three sets of addressed saturation flats for delivery on the same day?
- d. After the Flat Sequencing System ("FSS") is fully deployed and operational, and carriers start the day with bundles of (i) DPS'd letters, (ii) FSS'd flats, and (iii) cased residual pieces, how would carriers most likely handle an additional three sets of addressed saturation flats for delivery on the same day (i.e., if they were faced with working from six separate bundles instead of five, as discussed in preceding part c)?

RESPONSE:

- a. It is extremely unlikely that three sets of saturation flats would be delivered on the same day. This situation would only occur in circumstances where there was no alternative. The chances that this situation would occur are particularly rare because most mailers provide a 2-3 day operational window for their product to be delivered. Therefore, it is unlikely that this would be an alternative.
- b. Since the chances that this hypothetical scenario would occur are so rare, it is difficult to answer with any degree of certainty. The probability of any carrier taking three sets of saturation flats directly to the street is further reduced by the logistical constraints of the vehicle.

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- c. See the response to b.
- d. No data currently exists to determine what will occur in the FSS environment.

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VP/USPS-T44-19.

Please refer to your response to VP/USPS-T44-2(a).

- a. Please define the term "operationally efficient" as you use it in your response.
- b. Do you mean "operationally efficient" from the perspective of (i) the carrier supervisor at the DDU, (ii) the plant where mail is FSS'd, or (iii) the Postal Service as an entity?
- c. Do you intend "operationally efficient" and "minimum cost" to be synonymous?
 - i. If not, please explain how they differ.
 - ii. Do you mean "minimum cost" from the perspective of the carrier supervisor at the DDU, the plant, or the Postal Service?
- d. When saturation flats are taken directly to the street, they are rarely the subject of an IOCS tally, and incur virtually no recorded cost; *i.e.*, when saturation flats are taken directly to the street, the recorded in-office unit mail processing cost is almost zero. Under what circumstances would you envision that the option of putting saturation mail on the FSS would have a lower unit cost, or be more operationally efficient? Please explain why and in what sense FSSing of saturation flats would have lower cost or be more efficient.

RESPONSE:

- a. "Operationally efficient", as used in the VP/USPS-T44-2(a) response, means that the process is the most effective use of operational resources.
- b. All of those involved.
- c. "Operationally efficient" and "minimum cost" are not necessarily synonymous. Minimal cost might not be operationally efficient if service is compromised.
- d. Since no data exists regarding the FSS system, this question cannot be answered.

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VP/USPS-T44-21.

Please refer to your response to VP/USPS-T44-4(f).

- a. Please define the term "conflicts" as you use it there.
- b. Please provide examples of the most common conflicts that would prevent ECR saturation flat mailings from being taken directly to the street:
 - i. in the current operating environment; and
 - ii. in the environment after FSS is implemented.

RESPONSE:

- a. "Conflicts", as defined in this case, means where the number of bundles that the carrier needs to take could exceed the number of bundles that the carrier can deliver.
- b. Generally speaking, conflicts are not common in their occurrence.
 - i. An example of a conflict would be the rare occasion when more than one set of saturation flats must be delivered on the same day because conditions exist in which neither of the mailings can operationally be deferred to another delivery day.
 - ii. No FSS data exists to answer this question.

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VP/USPS-T44-22.

Please refer to your response to VP/USPS-T44-7(a), and assume that a carrier takes a mailing of saturation letters directly to the street.

- a. Please explain in more detail how different sizes, shapes and weights of the letter would determine how the letters are handled for "maximum operational efficiency."
- b. Please describe the major different ways that carriers have for handling saturation letters that are taken directly to the street.

RESPONSE:

- a. The size, shape, and weight of the letter-shaped saturation piece could influence how the carrier handles the mailing on the street. For example, the carrier could place the saturation letter-shaped bundle in his/her hand along with the DPS mail if the pieces were compatible with the DPS mail. If not, the carrier might place the saturation letter-shaped bundle in the satchel if that were more operationally efficient.
- b. As noted above, generally the carrier would either place the saturation letter-shaped pieces in the hand behind the DPS mail, or place it in the satchel.

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VP/USPS-T44-23.

On rural routes, when mailers submit a saturation mailing using a simplified address:

- a. Is the mail piece required to have a barcode?
- b. If so, is it a 5-digit, 9-digit, or 11-digit barcode?

RESPONSE:

I am not a classification expert, but since simplified address pieces do not have a name or address, they probably do not have a barcode.

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VP/USPS-T44-24.

Can saturation letters for delivery on a rural route with a simplified address by DPS'd, or must they always be sorted manually?

RESPONSE:

Saturation letters for delivery on a rural route do not have a name or address, so they cannot be DPS'd.

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VP/USPS-T44-25.

Will the Postal Service be able to sort on the FSS machineable saturation flats for delivery on a rural route with a simplified address?

RESPONSE:

The data from the testing of FSS has not been analyzed, and no information is currently available.

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VP/USPS-T44-26.

Are saturation mailings permitted to use a simplified address for all rural routes, or is use of a simplified address restricted in any way?

RESPONSE:

Simplified address mail is received for delivery on rural routes and non-city delivery post office boxes.

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VP/USPS-T44-30.

Please refer to your response to VP/USPS-T44-17(a), and please discuss the nature of the "operational restrictions" referred to in your response, and supply two or three examples of the operational restrictions to which you refer.

RESPONSE:

The operational restrictions that I was referring to are the capacity for a carrier on a motorized route to deliver from more trays/bundles that can safely fit in the delivery area of the vehicle and where the carrier can safely access them.

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VP/USPS-T44-31.

Please refer to your response to VP/USPS-T44-17(B), and assume that the two sets of saturation flats which (i) had to be delivered on the same day, and (ii) were taken directly to the street, consisted of unaddressed covers and DALs. Please discuss how the carrier would most likely handle the DALs—i. e., case both sets of DALs, take both sets of DALs to the street as extra bundles, or case one set and take the other set to the street as an extra bundle.

RESPONSE:

This question is almost identical to VP/USPS-T44-13(b). As I stated in that response, all of the options are viable. *It would depend on operational conditions.*

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VP/USPS-T44-32.

Please refer to your response to VP/USPS-T44-18(b), and explain in more detail what you mean by your reference to "the logistical constraints of the vehicle."

RESPONSE:

The "logistical constraints of the vehicle" that I was referring to are the capacity for a carrier to load the vehicle in a manner that allows the carrier to deliver the mail safely.

RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO INTERROGATORIES OF VALPAK

VP/USPS-T44-33.

Please refer to your response to VP/USPS-T44-22.

- a. Assuming that a mailing of saturation letters comports fully with the DMM size restrictions on letters, what size or shape of letter envelope would be incompatible with a bundle of DPS mail?
- b. Would a number 10 envelope be incompatible with a bundle of DPS mail?
- c. Are you aware of saturation letter mailings that are incompatible with a bundle of DPS mail?
- d. Based on your experience, what percent of saturation letter mailings would be incompatible with a bundle of DPS mail?
- e. When city delivery carriers elect to put saturation letters in their satchel, do they encounter difficulty working with a bundle of saturation letters in their satchel? If so, please describe the nature of the problem.

RESPONSE:

- a. A saturation letter that is thick enough to constantly require the carrier to reload the mail in his/her hand that is being carried in conjunction with DPS mail.
- b. Generally not. However, if the thickness of the envelope required the carrier to constantly have to reload the mail in his/her hand, it could be.
- c. Yes.
- d. No studies have been conducted, and my experience does not suggest any particular percentage.
- e. No.

RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO INTERROGATORIES OF VALPAK

VP/USPS-T44-34.

An article "Mail Goes Where the Money Is," by Marshall Kolin and Edward J. Smith, in *Emerging Competition in Postal and Delivery Services* (Kulwer Academic Publishers, 1999), pages 159-179, indicates that higher volumes of mail, on a per capita basis, are delivered in areas where residents have higher-than-average incomes. The FY2005 Billing Determinants (USPS-LR-L-77) indicate that the total volume of saturation mail was 13.8 billion pieces (both letters and flats).

- a. Does the Postal Service maintain records that indicate the concentration of mail by Zip code? If so, please provide.
- b. Does the Postal Service maintain any records that indicate the concentration of ECR saturation mail by Zip code area? If so, please provide.
- c. On the basis of your experience, do some Zip code areas receive saturation mail rarely, if ever? If so, please indicate some identifying characteristics of such areas.
- d. Your testimony at page 13, lines 15-19, notes that:

There are obviously situations that currently exist where flats are not taken directly to the street such as the presence of two sets of flats on the same delivery day.

On the basis of your experience, do some Zip codes receive a disproportionately large number of ECR saturation mailings, including two such mailings on the same day? If so, please describe some identifying characteristics of such areas.

RESPONSE:

- a., b. Redirected to the Postal Service
- c., d. From my experience, I would agree that ECR saturation mailings are not uniformly distributed over all Zip codes. Some of the characteristics of the areas that receive disproportionately higher numbers of these mailings include high-volume, high-income areas. Conversely, low-volume with lower income areas tend to receive less of these types of mailings.

RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO INTERROGATORIES OF VALPAK

VP/USPS-T44-35.

Please refer to your response to VP/USPS-T30-8(a) (redirected from witness Kelley, (USPS-T-30).

- a. *If it is generally easier to case flats-shaped pieces that are enveloped or bound in some manner than it is to case a piece that is considered a wrap or host piece, as you assert, then would it be reasonable to infer that a wrap or host piece offers the Postal Service less flexibility with regard to handling methods than do enveloped or bound pieces? Please explain your answer.*
- b. *Comparing enveloped flats with wraps of the same weight, are wraps just slightly more difficult to case, or are wraps considerably more difficult to case? Please explain your answer.*
- c. *Comparing stapled (bound) catalogs with wraps of the same weight, are catalogs just slightly more difficult to case than wraps, or are wraps considerably more difficult to case? Please explain your answer.*

RESPONSE:

- a. *In my experience, I would answer by saying that the flexibility and methods of handling either a wrap or a bound flat-shaped piece are determined more by the individual piece type than by the category. In the response cited, I said that it is generally easier to case enveloped or bound pieces. It is not always easier as the ease of casing is often determined by the structure of the wrap or the bound piece.*
- b., c. *In my experience, the structure of the wrap or host piece and the structure of the catalog or enveloped flat-shaped piece would determine if it was slightly or considerably more difficult to case.*

**RESPONSE OF POSTAL SERVICE WITNESS COOMBS TO
INTERROGATORIES OF VALPAK
(Redirected from Witness Kelley, USPS-T-30)**

VP/USPS-T30-8.

The testimony by witness Coombs (USPS-T-44) notes at page 13, lines 2-3, that “[h]aving to case the host flat pieces would be logistically more challenging than simply casing the letter-shaped DAL cards.”

a. Is casing of host flat pieces logistically more challenging than casing ordinary flats, such as enveloped flats or catalogs? In your response, please assume that weight of the host flat pieces and other flats is equal.

RESPONSE:

- a. It is generally easier to case flat-shaped pieces that are enveloped or bound in some manner than it is to case a piece that is considered a wrap or host piece.

1 CHAIRMAN OMAS: Is there any additional
2 cross-examination for Witness Coombs at this point?

3 (No response.)

4 CHAIRMAN OMAS: There being none, this
5 brings us to oral cross.

6 Three participants have requested oral
7 cross: Advo, Inc., Amazon.com, Inc., and Valpak
8 Direct Marketing Systems, Inc. and Valpak Dealers
9 Association.

10 Mr. McLaughlin, would you please begin?

11 (No response.)

12 CHAIRMAN OMAS: Mr. Olson, Amazon.com?
13 Please state your name.

14 MR. MORGAN: Mr. Chairman, Jeremiah Morgan
15 for Amazon.com.

16 CROSS-EXAMINATION

17 BY MR. MORGAN:

18 Q Good morning, Ms. Coombs.

19 A Good morning. How are you?

20 Q I'm well. How are you?

21 A Good.

22 CHAIRMAN OMAS: I think you need the mic on.

23 MR. MORGAN: I'm just not close enough, I
24 think.

25 CHAIRMAN OMAS: Okay.

1 BY MR. MORGAN:

2 Q Ms. Coombs, could you please turn to your
3 response to Amazon/USPS-T44-1?

4 A I'm there.

5 Q Thank you. In your response to Part (a) to
6 that question you say that parcel-shaped mail is
7 received in all purpose containers, APCs, and the
8 clerk then distributes the parcel-shaped mail to each
9 carrier's case or parcel hamper for delivery.

10 CHAIRMAN OMAS: Mr. Morgan, excuse me just a
11 minute.

12 Ms. Coombs, you're going to have to pull the
13 mic a little closer. You're not getting through.

14 THE WITNESS: Okay. Generally they say I'm
15 too loud.

16 CHAIRMAN OMAS: That's good. We're all loud
17 around here, so we won't say anything.

18 THE WITNESS: Okay.

19 CHAIRMAN OMAS: It's being recorded, and
20 that's the reason why we're not coming through.

21 THE WITNESS: I'm sorry. I'll try to be
22 louder.

23 CHAIRMAN OMAS: No, that's all right. Thank
24 you very much.

25 I'm sorry, Mr. Morgan. Proceed.

1 BY MR. MORGAN:

2 Q I was asking about you said the parcel-
3 shaped mail is distributed to each carrier's case or
4 parcel hamper for delivery. I assume that the
5 distribution by the clerk is manual. Is that correct?

6 A It is.

7 Q Do you have any data about the rate at which
8 clerks are able to perform this manual distribution?

9 A I don't.

10 Q Even approximately?

11 A I don't. That's not something that I
12 studied, and I'm not aware of any operational study
13 that says that.

14 Q In your response to Part (d) --

15 A (d) or (b)?

16 Q Yes, (d).

17 A (d). Okay.

18 Q You say that parcel-shaped pieces sometimes
19 arrive at the DDU already sorted by carrier route.

20 Does the Postal Service have certain plants
21 or BMCs that sort parcels to carrier route on a
22 regular basis?

23 A I'm not the mail processing witness, but I
24 know that they do regularly receive sacks already
25 labeled to the carrier and then they're dumped by the

1 clerk at the facility into the parcel handler.

2 Q Okay. So you wouldn't know if most of them
3 do it on slack time when they have extra time?

4 A I don't know whether they do it on slack
5 time or it's a regular schedule.

6 Q I see. Could you now refer to your response
7 to Amazon Question 5?

8 A I'm there.

9 Q When carriers have parcels that are
10 addressed to residents of highrise apartment buildings
11 that do not fit in the apartment mailbox, does the
12 carrier go upstairs to the addressee's apartment to
13 attempt delivery?

14 A It depends on the restrictions of the
15 building. Sometimes they're not allowed to. They're
16 just given an attempt. Sometimes they leave them at
17 the office and sometimes they do attempt them,
18 depending on what arrangements were made.

19 Q I see. In Part (b) of Question 5 --

20 A Yes.

21 Q -- with reference to foot routes you refer
22 to a parcel of the size and weight to fit in the
23 satchel or cart.

24 A Yes.

25 Q Will carriers on foot routes take parcels in

1 their satchel or cart that are too large for typical
2 mailboxes on their route?

3 A Will they?

4 Q Yes.

5 A Yes, they will, and they'll attempt them.

6 Q Okay. When carriers have vehicles, that is
7 on curblane, park and loop and dismount routes, do
8 they always take with them all parcels of all sizes
9 for their route?

10 A Generally they're directed to take all
11 parcels and attempt them.

12 Q Okay.

13 A Occasionally there's special arrangements
14 that a customer has made -- do not attempt parcels --
15 but, generally speaking, they do take them.

16 Q Okay. Also in Part (b) you discuss having
17 larger parcels delivered by parcel post or combination
18 routes. What exactly is a combination route?

19 A A combination route is a route that's made
20 up of more than one type of delivery.

21 In other words, they might be delivering
22 parcels and have regular delivery. They might be
23 delivering parcel and have collection. They might be
24 delivering and have collection mail and parcels, so
25 it's a combination route.

1 Q Okay.

2 A It's a combination of several things.

3 Q I see. It could be different?

4 A Yes, it is different.

5 Q Okay. Approximately how many parcel post
6 routes does the Postal Service have?

7 A I'm not aware of the number.

8 Q Okay. Do you know how many combination
9 routes there are?

10 A I do not.

11 Q Do you know the approximate percentage of
12 large parcels that are delivered on parcel post or
13 combination routes?

14 A I don't know that number, and I don't think
15 that we have that number in any of our studies.

16 MR. MORGAN: Okay. That's all, Mr.
17 Chairman.

18 THE WITNESS: Thank you.

19 CHAIRMAN OMAS: Thank you, Mr. Morgan.

20 Mr. Olson? Again, would you please
21 introduce yourself and who you represent for the
22 record? Thank you.

23 MR. OLSON: Yes, Mr. Chairman. William
24 Olson representing Valpak Direct Marking Systems and
25 Valpak Dealers Association.

1 CROSS-EXAMINATION

2 BY MR. OLSON:

3 Q Hello, Ms. Coombs.

4 A Good morning. How are you?

5 Q I'd like to begin with your response to
6 Valpak 4(f).

7 A I'm there.

8 Q Okay. There we asked you, "For those
9 delivery points on city carrier routes where sequenced
10 flat-shaped pieces are not likely to be taken directly
11 to the street would the presence of a DAL be likely to
12 simplify the delivery operation and reduce the cost?
13 Please explain why or why not."

14 You state, "...a general operational policy
15 that for all delivery points ECR saturation flat
16 mailings will be taken directly to the street,"
17 correct?

18 A That's correct.

19 Q Okay. Now, I'm going to ask you a series of
20 questions, and all of these questions deal with three
21 premises. The first is we're dealing with the current
22 environment before FSS.

23 A Okay. Before FSS.

24 Q The second is that we're dealing with
25 addressed saturation flats.

1 A Okay.

2 Q Third, we're talking about curblin routes.

3 A Okay.

4 Q Now, in that situation, an addressed
5 saturation flat on a curblin route, the policy would
6 kick in here and the general policy would be to take
7 the ECR saturation flat mailing directly to the
8 street, correct?

9 A That's correct.

10 Q Okay. And that would be true, for example,
11 if there were a single addressed flat mailing that day
12 that had to go out and be delivered, correct?

13 A Yes.

14 Q When a carrier has one saturation flat
15 mailing that has to go out in a given day then the
16 carrier spends zero time casing those flats, correct?

17 A If they go directly to the street there's
18 zero casing time. Correct.

19 Q And when they go directly to the street the
20 carrier I take it has a clerk deliver those flats to
21 his carrier station, and then the carrier is
22 responsible to get them out to the vehicle for a
23 curblin route?

24 A Generally speaking, they take them directly
25 to the carrier's hamper and then they are responsible

1 as they take the rest of their mail out for loading
2 them themselves.

3 Q So the carrier would take it out in a tub or
4 rolling --

5 A A hamper, yes.

6 Q Does the hamper roll?

7 A It does.

8 Q It does. And the mail, if we're dealing
9 with addressed flats, would be in what type of
10 container?

11 A Sometimes the bundles are strapped with
12 plastic and they're just placed in the hamper.
13 Sometimes they're trayed.

14 Q Side trays, I take it?

15 A Yes.

16 Q Okay. Is there any guidance you can give us
17 about how long it would ordinarily take a carrier to
18 take the addressed flat mail to his or her vehicle?

19 A We don't regularly time them. We do time
20 them during inspections, but I don't know what the
21 average is for the country.

22 Q But you wouldn't be surprised if it would
23 take say one, two, three minutes, that sort of thing,
24 as opposed to a much longer period?

25 A I really can't comment because I don't have

1 the data in front of me.

2 Q When the carrier got to his or her vehicle
3 would the carrier have a standardized way in which to
4 array the mail within the vehicle?

5 A They do have a way of doing it, but it seems
6 to be there's general principles, but a lot of them do
7 it differently depending on what is preferential to
8 them, the easiest way for them to handle it.

9 Some put it to the left if it's a saturation
10 flat. Some put it to the right. It just depends on
11 the individual.

12 Q Where is the steering wheel located on these
13 vehicles? Is it on the right or the left?

14 A On the LLVs?

15 Q Yes.

16 A It's a right-hand drive.

17 Q And so would all the mail be arrayed to the
18 left then of the carrier?

19 A No. When they're loading they load the back
20 portion of the vehicle, and they load only enough mail
21 in the trays on the left-hand side. The rest of the
22 mail resides in the back until they are actually
23 needed out on the street.

24 Q Right. For the first stops on a route in
25 the current environment they would have, I take it, a

1 DPS letter tray, for example?

2 A They do.

3 Q And they would have a combination letter/
4 flat from their vertical flats case?

5 A Residual letters and flats mixed, yes.

6 Q Okay. Residual letters and flats. And then
7 they'd have in this scenario a flat tray typically I
8 guess you said of addressed flats, correct?

9 A Yes, and often at that point they tip them
10 into a regular tray so that they can just pull them as
11 they go.

12 It depends again on the individual. Some of
13 them place it underneath, but, generally speaking,
14 they keep it in the tray.

15 Q Okay. If they keep it in the tray there's
16 no mail directly in front of a carrier, correct? I
17 mean, it's not on the lap or something like that.
18 That would be a dangerous situation.

19 A It's not supposed to be.

20 Q You try to discourage that?

21 A We do.

22 Q Okay. So all the mail for the initial stops
23 would be arrayed to the left of the driver, correct?

24 A Yes, in an LLV. If it's a van or a station
25 wagon type of vehicle then it's in the back.

1 Q What does LLV stand for?

2 A Long life vehicle.

3 Q Long life vehicle. Okay. How long a life
4 do they have?

5 A Not as long as I think we were hoping.

6 Q All right. On an LLV, the carrier has all
7 of the mail assembled on the left, correct?

8 A To his left, yes, or her left.

9 Q And would typically the DPS letters be the
10 first item and then the residual letters and flats and
11 then the saturation flats as you get away from the
12 carrier?

13 A As it turns out, again it's an individual
14 preference. A lot of them put the letters in the
15 middle because that's the easiest place for them, but
16 some put it to the left. Some put it to the right.
17 On that we have no restrictions.

18 Q Okay.

19 A We just want them to do it efficiently.

20 Q Is the way the LLV configured to have all
21 the mail on the same level, or are different racks at
22 different levels?

23 A The correct configuration has a large tray
24 where all of them sit level.

25 Q So they're all on the same level?

1 A They are.

2 Q Okay. Now let's change the scenario for a
3 moment. We're still talking about curblin, and we're
4 still talking about the current environment, but let's
5 talk about a mailing with both wraps and DALs.

6 A Okay.

7 Q So unaddressed flats with DALs. I want you
8 to assume that the carrier decides to take the DALs
9 directly to the street, along with the wraps, without
10 any casing, or perhaps the supervisor tells the
11 carrier to do it that way, okay?

12 A Yes.

13 Q I mean, carriers sometimes do that, don't
14 they?

15 A They do.

16 Q Where in the vehicle would the carrier
17 usually position the DALs?

18 A Again, it's an individual preference. Some
19 of them put it at the beginning of the flats because
20 they're standing up and they just pull it out of the
21 same tray, so the DAL would be in front, the flat in
22 back. Some of them smoosh it in with the DPS letters,
23 so it depends again.

24 Q By smoosh do you mean -- I'm not making fun.
25 Are you talking about casing it?

1 A No, no. They place it at the beginning.
2 They push the letters back, the DPS letters, and put
3 it right in front so that it's the same height. It
4 just depends because they of course are in order.

5 Q The DALs would typically be a little shorter
6 than the letters, wouldn't they?

7 A It could be, but sometimes we have short
8 letters too. It still is just as easy to handle, I
9 think.

10 Q So they would have the DALs in front perhaps
11 of the DPS'd letters in the same tray? That's what
12 you're saying?

13 A Correct. Some do.

14 Q You're saying that every carrier has total
15 discretion as to how to array his or her vehicle?

16 A I'm saying that there's general rules, but
17 that there's individual preferences.

18 Q Okay. Can you tell me what the general
19 rules are then that everyone would need to abide by?

20 A You have your flats, your letters and your
21 DPS, and if you have a third bundle in front with you.
22 That's the general rule.

23 How you place them and whether you place the
24 DPS letters on the left or the right or in the middle
25 is your preference.

1 Q If a carrier has this one saturation flat
2 unaddressed mailing with DALs then they have to I take
3 it look in or they have to make movements toward
4 typically four locations?

5 They'd have to go to the DPS'd letters and
6 the residual letters and flats and then the DALs and
7 then the wraps?

8 A Four different bundles of mail I guess you
9 would say, but generally the same location.

10 Q Well, it's to your left, but they're arrayed
11 in different places, correct?

12 A Yes. From different bundles, yes.

13 Q Let's change the scenario to discuss two
14 mailings of unaddressed saturation flats with DALs
15 now. We're still doing current environment. We're
16 still doing curblines.

17 A Okay.

18 Q We asked you a question about that, which
19 was our Question 5. If you could look at that?

20 A Question 5?

21 Q Of Valpak. I'll always refer to Valpak
22 interrogatories today I think.

23 A Yes. 5(a) or (b)?

24 Q Good question. Actually, let's start with
25 your testimony and then come back to this. Page 13.

1 A Okay.

2 Q That's what our question keys off of. Page
3 13, lines 16 to 18.

4 A I'm there.

5 Q There you say, "There are obviously
6 situations that currently exist where flats are not
7 taken directly to the street such as the presence of
8 two sets of saturation flats on the same day. In that
9 case, the two sets of flats would most likely be
10 collated, but the delivery method would not be
11 affected by the absence or presence of a DAL,"
12 correct?

13 A Correct.

14 Q When you say the two sets of flats would
15 most likely be collated, that's what I want to focus
16 on.

17 First of all, isn't it correct that in a
18 curblane route that there are no contractual
19 restrictions on carriers to take out third bundles and
20 fourth bundles?

21 A There is no contractual restriction.

22 Q And I think you said that if the two
23 mailings showed up at a delivery unit that if one
24 could be deferred that would be your first choice,
25 correct?

1 A That's correct.

2 Q But if the circumstance was that they could
3 not be deferred, and we're assuming that both had to
4 be delivered on the same day, then as between casing
5 and collating you're saying that the typical approach
6 would be collating, correct?

7 A That would be the typical approach.

8 Q And that would be as opposed to taking both
9 out on the street too, correct?

10 A No. My testimony refers to routes in
11 general, but on curblane routes the preferred approach
12 would be to take both bundles directly to the street
13 if there's no restrictions.

14 Q Okay. So the first priority would be take
15 them both to the street, and the second would be if
16 there are restrictions, and you're talking about
17 contract restrictions or practical restrictions?
18 Would that cause you to collate rather than case?

19 A Contractual restrictions. If you couldn't
20 take them to the street then you would collate them or
21 case one of them.

22 Q Okay. And typically you say you would
23 collate them rather than case them I take it?

24 A Yes, typically.

25 Q So if you had a curblane route without the

1 contractual restrictions then you're saying that the
2 carrier would not typically collate them, but take
3 both to the street?

4 A Yes. The carrier typically, if they could
5 not defer one of them, would take both of them to the
6 street.

7 Q Okay. Is there any insight you could give
8 me about the amount of geography within the vehicle,
9 within the LLV, as to how many racks there are for
10 different types of mail? In other words, do you have
11 room for three letter or flat trays or four to the
12 side?

13 A Generally there's room for three on one
14 level, and occasionally they will stack one of them,
15 but that's not the preferred method.

16 Q When you say on one level, is there another
17 rack at a higher level, or are you talking about just
18 piling one on top of the other?

19 A No. Have you ever been in an LLV?

20 Q Not lately, no.

21 A There is a very large tray that has room for
22 three different trays and so it's all at one level,
23 typically at the carrier's level, of course, depending
24 on whether they're short or tall.

25 Then there's a piece underneath that

1 generally is for outgoing mail. That's an empty
2 space, and they would put a tray there for outgoing
3 mail.

4 Q So that tray for outgoing mail, that empty
5 space would have nothing to do with how they would
6 array the vehicle for deliveries, correct?

7 A It's not supposed to.

8 Q Okay. I'm sorry. I know this is difficult.
9 I wish we could bring one in or go on a field trip.

10 A I should have brought a picture.

11 Q Maybe next time I'll ask. Are there
12 training videos, for example, for carriers that show
13 how to array a vehicle?

14 A I'm not aware if there are any specifically
15 for that.

16 Q Any manuals that tell people how to do that?

17 A General loading, but not specifically by
18 vehicle.

19 Q Any pictures?

20 A I'm sure that we have pictures somewhere,
21 but I don't have any with me.

22 Q Okay. It is hard to verbally --

23 A I guess having never seen one it probably is
24 difficult to understand it.

25 Q When you talked about putting one tray on

1 another tray you were talking about physically having
2 one tray touch the mail in the tray below it?

3 A That's not our preference, but occasionally
4 that happens.

5 Q And then to get at the mail in the bottom
6 tray you have to move the top tray?

7 A They put it back a little bit so that they
8 can still reach both.

9 Q Stagger it somewhat?

10 A Yes.

11 Q But the design of the LLV is to have three
12 main areas to draw from before you begin to improvise?

13 A There's a shelf -- I'll call it a shelf --
14 that three trays of mail can fit on.

15 Q And then once you get past the three trays
16 the choices are what, to put one on top of the other,
17 which is not preferred, or what else?

18 A Well, typically that's what you would carry
19 out daily is the three trays of mail, but if you had
20 the need to have an extra tray of mail then you might
21 have to, for example, have two saturation flats in the
22 same tray and work from the back and front.

23 Q And that would not be a situation where they
24 were collated, but rather you just take a chunk of
25 Saturation Flat A and put behind it a chunk for

1 Saturation Flat B?

2 A Yes, and then you would work from the front
3 and then from the middle as you pull them because they
4 should be in address order.

5 Q And then where would you put the two sets of
6 DALs with that?

7 A In that case you might have cased them, or
8 you might put them in front of each of the saturation
9 flats. Again, the typical day is that you would not
10 have more than one saturation flat so it would be an
11 unusual day if you did.

12 Q If you had to collate such as where there
13 was a contractual restriction, why is collating
14 preferable to casing?

15 A Typically we believe it takes less time
16 because once you collate you don't touch it again,
17 where if you case it you still have to pull it down.

18 Q And if you are collating it you're just
19 collating the flats, or are you also collating the
20 DALs?

21 A You are not collating the DAL.

22 Q Okay. So then you've got unaddressed Flat
23 A, B, A, B, A, B, correct?

24 A Yes.

25 Q How do you know? I mean, these are

1 saturation mailings so they're going to have high
2 coverage, but let's say that each one of them has 90
3 percent coverage, but they go to different 90 percents
4 of the list. How do you make sure that the right
5 pieces go to the right addresses?

6 A I believe you asked me that in one of the
7 interrogatories, and typically city delivery
8 addresses, the saturation flats, are addressed so you
9 would match the addresses.

10 Q But we're dealing here with unaddressed
11 flats with DALs in my scenario.

12 A Unaddressed flats with DALs would probably
13 be on a rural route. It would be more likely to be on
14 a rural route.

15 Q Okay. Let's deal with a situation where
16 it's on a city route.

17 A Then they would be addressed.

18 Q Do you mean it's impossible to have a --

19 A It's not impossible. Nothing is impossible,
20 but, generally speaking, they are addressed.

21 Q Well, it's not prohibited by the rules, for
22 example, right?

23 A I believe that you do have to have addressed
24 flats.

25 Q Do you believe that there is a --

1 A You cannot use simplified addresses on city
2 delivery routes.

3 Q I'm not talking about simplified address.
4 I'm talking about unaddressed where the piece is
5 accompanied by a DAL.

6 A But there is an address with it?

7 Q Yes, but what I'm saying is you've got a
8 saturation. There are unaddressed flats.

9 A Okay.

10 Q You have Saturation Flat A and Saturation
11 Flat B, and you collate them so they go A, B, A, B, A,
12 B.

13 A But they're addressed, correct?

14 Q No. These are unaddressed. Unaddressed,
15 but they have DALs with them. The address is on the
16 DAL.

17 A Okay.

18 Q Now, what I'm trying to get at is if you
19 have these interspersed -- A, B, A, B, A, B -- and
20 they're unaddressed and then you have to deliver them
21 you're supposed to look at the DAL for the address of
22 which one goes where.

23 A Correct.

24 Q Now, when you look at that DAL you've got
25 two piles of DALs, correct?

1 A Correct, but if you had two sets that
2 weren't full coverage and the identical address list
3 wasn't used you would not collate them because of the
4 same situation that you're trying to get me to say is
5 that you wouldn't know where they go. In those cases
6 you would not collate them.

7 Q How would you know if the same list were
8 used by two different companies for two different
9 mailings of unaddressed flats with DALs?

10 A Generally speaking, after a while our
11 carriers pretty much know where addresses go. For
12 example, if a mailing comes in frequently they know if
13 it's all residential everyone or only particular areas
14 of a route. They learn fairly quickly.

15 If they were unsure, the supervisor would
16 direct them not to collate them if they weren't the
17 same set. If it was a new set, they would not be
18 collated. They would probably be cased.

19 Q In your testimony on page 8 you have a
20 footnote, and you say that saturation flats are
21 defined as mailings delivered to a minimum of 90
22 percent of total residential or 75 percent of total
23 active deliveries on a route, correct?

24 A Correct.

25 Q So you could theoretically have two sets of

1 unaddressed flats with DALs that went to only 75
2 percent of the active addresses on the route, correct?

3 A You could, but let me try to make it as
4 clear as I can. If you had two sets of flats that
5 were saturation, your first choice would be to defer
6 one.

7 If you couldn't do that for operational
8 reasons, your second choice would be to collate them
9 if you could. If you couldn't you would case one and
10 take the other one directly to the street.

11 Q And you're saying that it's your testimony
12 that a carrier or a carrier's supervisor, if asked,
13 would know from looking at an ECR saturation flat, an
14 unaddressed flat mailing with DALs? They would know
15 that they were using the same addresses throughout the
16 totality of the mailing?

17 A I wouldn't say that they would always know,
18 but I would say that after a carrier receives a
19 mailing week after week that they have a general idea
20 of the percentage of coverage and a general idea if
21 the same address list is used.

22 They wouldn't always know. In the cases
23 where they didn't know then they would handle it
24 differently.

25 Q And if they did collate them and the lists

1 were somewhat different then I take it the result
2 would be that an address would get a flat that the
3 mailer had not intended it to get, correct?

4 A I'm not sure what would happen in that case.

5 Q Does taking the time in the office to
6 collate a mailing save time on the street? Do you
7 know?

8 A You asked me that in one of my
9 interrogatories, and I said that we haven't conducted
10 any studies on that.

11 Q I was hoping you had by now.

12 A No. We haven't done any since then.

13 Q If you have two saturation mailings with
14 flats and DALs that have to be delivered on the same
15 day, would you agree that if they had to be collated
16 or one had to be cased that there would be many fold
17 more hours or minutes of time spent on that mailing in
18 office than if the piece were taken directly to the
19 street?

20 A If you're asking me would there be less
21 office time if they took it directly to the street
22 then the answer is yes.

23 Q As a matter of fact, if you had one
24 saturation mailing like that to go out and it was
25 taken directly to the street it would have zero time

1 for casing and collating, correct?

2 A If you're taking it directly to the street,
3 there is neither casing or collating time.

4 Q But if you have two and you have to case or
5 collate you have such time as you incur, correct?

6 A Correct.

7 Q As a mathematical matter, that makes it
8 infinitely larger, doesn't it, in terms of time? If
9 you don't want to answer that I'll ask Dr. Bradley.

10 A Okay. You asked me that in one of my
11 interrogatories, and I explained it, as I said
12 earlier, that we don't have a direct amount of time
13 that we know, but there is some time incurred if you
14 collate or case.

15 Q Let's look at 17. This is where your
16 response interjected the concept of operational
17 restrictions on how many bundles a carrier can take to
18 the street, as opposed to contractual restrictions,
19 correct?

20 A Yes. That's the part that you covered with
21 me just recently about how many places are there where
22 you can safely put mail and still deliver.

23 Q It's the "safely" word I wanted to focus on
24 because that's the word you used twice.

25 A I kind of thought you might.

1 Q Yes. Well, we're dealing with I think these
2 are separate notions, convenience or ease of delivery
3 on the one hand and safety on the other.

4 I take it since we're dealing with vehicles
5 and out on the street and dangerous situations that
6 safety is an important concern for carriers as well,
7 correct?

8 A Safety is an important concern for all
9 employees of the Postal Service.

10 Q I'm sure I read that on a poster. You're
11 using the word safety here and saying I think it's in
12 response to 30. You use it twice.

13 You say, "The operational restrictions that
14 I was referring to are the capacity for a carrier on a
15 motorized route to deliver from more trays/bundles
16 than can safely fit in the delivery area of the
17 vehicle and where the carrier can safely access them."

18 I guess what I was curious about is are the
19 physical geographical restrictions that we discussed
20 different from safety considerations? Are there more
21 stringent safety considerations?

22 A In the situation that you mentioned before
23 that you said, we don't want the carrier to carry mail
24 while he's driving in his lap. We don't want the
25 carrier to do that. For safety reasons there's only

1 so many places that are in the delivery area of the
2 vehicle.

3 Q Would that be one of the reasons you don't
4 want people piling trays on top of each other because
5 they might tumble over?

6 A That's one of the reasons.

7 Q And you tell the carriers that probably?

8 A We do tell them that.

9 Q Could you look at your response to 18(b)?
10 This had to do with three sets of saturation flats,
11 which you say is extremely unlikely, correct?

12 A Very unlikely.

13 Q Okay. You say -- let me see if I can find
14 it.

15 A (b) .

16 Q Yes. It's at the end of (b). Thank you.
17 Do you have my notes?

18 A I do.

19 Q I'm certain you're the best first time
20 witness we've ever had.

21 A Thank you. I like it immensely.

22 Q Let's see what we can do about that. At the
23 end of (b) you say, "The probability of any carrier
24 taking three sets of saturation flats directly to the
25 street is further reduced by the logistical

1 constraints of the vehicle," correct?

2 A Yes. I would like it if you could see one.

3 Q All the same things we've talked about?

4 A Right. I would like it if you could see
5 one. I think it would really be a good thing.

6 Q I'll take you up on your invitation. Next
7 time we litigate a rate case I will ask for that. As
8 a matter of fact I'll ask now, but I'm sure I'll get
9 it in the next case.

10 Let me ask you this. If you have an FSS
11 environment -- let's switch because your testimony is
12 a lot about how things will be different in the future
13 to the extent you know it, correct?

14 A To the extent that I know it.

15 Q In an FSS environment, when carriers leave
16 the office every day they're going to routinely, as
17 you describe in your testimony, have three bundles,
18 correct?

19 A Yes. That was your first one. That was
20 Valpak-1.

21 Q Well, we took it right out of your
22 testimony.

23 A Yes.

24 Q They will routinely have a DPS letter
25 bundle, correct?

1 A Correct.

2 Q And an FSS flat bundle and a residual bundle
3 I guess. Could you describe it that way?

4 A Correct.

5 Q Now, if you have routinely three bundles,
6 and now you routinely have two, correct?

7 A Routinely, yes.

8 Q Okay. So you're routinely going to have an
9 extra bundle, correct?

10 A Correct.

11 Q Okay. Isn't that going to mean that it's
12 going to be as difficult to handle two mailings of
13 saturation flats on the same day in the future as it
14 is to handle three now?

15 A Because they haven't fully studied what the
16 FSS impact will be it's difficult to say how it will
17 impact us.

18 Q But you have said routinely you're going to
19 have an extra bundle.

20 A But they haven't decided. There may not be
21 an extra bundle because they haven't decided if they
22 will join some of the bundles together. I guess
23 that's the best way to say it.

24 Q For example, mixing DPS letters and FSS
25 flats?

1 A More likely -- well, since the study is not
2 complete I can't really say, but I know that there are
3 several choices -- alternatives I guess is the best
4 way to say -- that they're studying so that they can
5 avoid this kind of issue.

6 Q In your testimony about FSS on page 8, lines
7 10 and 11 --

8 A In my testimony?

9 Q Yes. Let me read the whole sentence. "It
10 is currently projected that the majority of all
11 standard flat-shaped pieces will be processed using
12 FSS once it is implemented with the possible exception
13 of saturation flats," correct?

14 A Correct.

15 Q So is that saying that -- let me ask you all
16 of the scenarios; addressed saturation flats -- they
17 may be handled on the FSS?

18 A Further back in my testimony I said, or I
19 guess it was actually in one of the interrogatories.
20 You asked me that in fact in Interrogatory 2, and what
21 I said was that they hadn't completely studied it.

22 What they're saying now is that ECR
23 saturation flat-shaped mail will continue to be
24 processed as it is today, although the Postal Service
25 may put saturation mail on the FSS machine in cases

1 where it is determined that it is operationally
2 efficient.

3 Q Okay. I guess what I'm getting at is a
4 capabilities issue for the FSS. Is the FSS capable of
5 handling an addressed flat that's a wrap?

6 A They're not completely sure yet because the
7 test machine is down, and they're just now starting to
8 analyze the data.

9 Q Is it possible to use the FSS with an
10 unaddressed flat that has a DAL?

11 A Not with an unaddressed flat.

12 Q Only with an addressed flat you're saying
13 can use an FSS?

14 A That's my belief, although I'm not the FSS
15 expert.

16 Q So as far as you know there's no separate
17 reader for DALs?

18 A There's no barcode on it and for several
19 reasons. Yes.

20 Q Okay. Your answer to 3(b) I would like to
21 focus you on next. 13(b). I'm sorry. I'm just not
22 sure what you meant, and I just want to give you a
23 chance to clarify this because it was unclear to me.

24 You said that on the rare occasion where a
25 carrier has two saturation mailings to deliver on the

1 same day that it's possible, as you put it, that the
2 entire route would be motorized, correct?

3 A It's possible. It's rare, but it is
4 possible.

5 Q Okay. I don't understand what this means.
6 Does this mean that you would reclassify the route and
7 change it from walking or something to a motorized
8 route permanently, or are you talking about a one day
9 fix?

10 A Normally if there was very heavy mail on the
11 very rare occasion where you couldn't defer one of the
12 pieces for later delivery and if you couldn't collate
13 it and if you didn't case it then it's possible to
14 dismount each stop as you go.

15 It's very rare. It doesn't happen very
16 often because typically our vehicles that are park and
17 loop are not usually in and out type vehicles. It
18 could happen.

19 I give you that just in case there was a
20 chance that it could ever happen.

21 Q I had never heard of it before. That's why
22 I was trying to understand it better.

23 Let me take, for example, a foot route where
24 there was too much mail. Would that ever --

25 A A foot route? It would be very rare. It

1 would be more likely that if it was going to happen it
2 would happen on a park and loop route.

3 Q So you wouldn't take a foot route where
4 there's no vehicle involved, give somebody a vehicle
5 that they've never used before and say go deliver the
6 mail?

7 A Have I ever done that? Is that what you're
8 asking me?

9 Q Sure.

10 A Yes, I have.

11 Q Okay.

12 A Occasionally for operational reasons it does
13 happen, but it's very rare.

14 Q Okay. So more likely you say you would take
15 a park and loop where they already have a vehicle
16 where they're taking the mail out, and you would tell
17 them don't park and walk a loop, but park at every
18 stop and deliver the mail? Is that what you're
19 saying?

20 A Not at every stop. Generally it would be
21 like stop and hop. You stop and you hop out and hit
22 several and then pop back in.

23 Q Stop and hop?

24 A Sorry.

25 Q Okay. How about dismount routes?

1 A Dismount routes don't necessarily have the
2 same restrictions because dismount routes, if it's
3 fully dismount, although that's very rare these days,
4 they could dismount and take the mail at each stop.

5 Q So that's a possible time where the entire
6 route would be motorized, as you call it?

7 A If it's dismount it is probably motorized.

8 Q Already?

9 A Yes.

10 Q Okay. And curblines that wouldn't apply to?

11 A Curblines and logistic issues.

12 Q I'm sorry?

13 A Logistic issues about how much mail can you
14 put in the delivery area of the vehicle.

15 Q Okay. Quick cleanup on Question 1, which we
16 were just on. You used a phrase at the beginning of
17 your answer that I didn't understand.

18 I don't think we need to read the question.
19 It's just this phrase, "Yes, on those route sections
20 where bundles are required." What are the route
21 sections on which bundles are required?

22 A If it's a park and loop route, you have to
23 have bundles to deliver it so they're required. In
24 other words, you just wouldn't take your mail loosely.
25 You would have a bundle of letters, a bundle of flats

1 than being handled separately, which happens when DALs
2 are taken directly to the street, correct? That's the
3 question basically.

4 A What I think I answered was that we don't
5 have a study so there's no constant operational
6 conditions to say whether or not it's always better to
7 case it or take it with you.

8 Q Okay. Can you give me an illustration of a
9 real world operational condition where it is more
10 expeditious on the street to handle DALs separately
11 rather than as part of cased letters and flats?

12 A A real world? A carrier has a very large
13 hand, and he can pick from both places as quickly as
14 he can pick from one. There's people who are very
15 good at it. Again, there's no studies so I can't tell
16 you if it's actually true or not.

17 Q Okay. Here is my last question, and this is
18 a hypothetical. Let's assume that a distinguished
19 econometrician were to come visit you.

20 A Like Mr. Bradley?

21 Q Just anyone.

22 A Okay.

23 Q Any distinguished econometrician. He was
24 designing a study, and he was trying to develop what
25 he calls prior beliefs or priors about let's say city

1 carrier street time.

2 A Okay.

3 Q He asked you to give him some guidance about
4 reasonableness of costs.

5 Here's the question. He said to you what do
6 you think is reasonable? Would DPS'd letters or
7 sequenced letters, and you know how that term is used,
8 sequenced meaning take it right out to the street as a
9 third bundle.

10 A Yes. We talked about it last night.

11 Q I wasn't there. If you had to as an expert
12 commentator and observer and supervisor of delivery
13 operations take a guess as to whether the street cost
14 of ECR mail that was DPS'd letters versus sequenced
15 letters, would you have an opinion as to which is more
16 likely to be more expensive?

17 A I wouldn't have an opinion because I've
18 never studied it.

19 MR. OLSON: Then I guess it wouldn't have
20 mattered if a distinguished econometrician would have
21 asked you.

22 With that I thank you so much. You've been
23 very helpful. I appreciate it.

24 THE WITNESS: Thank you.

25 MR. OLSON: Thank you, Mr. Chairman.

1 CHAIRMAN OMAS: Thank you, Mr. Olson.

2 Mr. McLaughlin, I don't think you were here
3 when we started the cross. Would you like to cross-
4 examine the witness?

5 MR. MCLAUGHLIN: Mr. Chairman, the reason I
6 wasn't here was because I decided I had no questions.
7 Thank you.

8 CHAIRMAN OMAS: I'm sorry. Thank you.

9 Is there anyone else who wishes to cross-
10 examine? Mr. Baker? Please identify yourself for the
11 record.

12 MR. BAKER: Thank you, Mr. Chairman.
13 William Baker on behalf of the Newspaper Association
14 of America.

15 CROSS-EXAMINATION

16 BY MR. BAKER:

17 Q I just wanted to clarify, Ms. Coombs,
18 something you said during the cross by Mr. Olson.

19 A Okay.

20 Q You were discussing with him a situation
21 where there were two saturation flat mailings on the
22 same day, and I believe you said, as I was listening,
23 something to the effect that typically on city routes
24 the saturation flats are addressed, and the DALs were
25 more likely on rural routes.

1 Then shortly after that you said something
2 about simplified address as well. I just wanted to
3 make sure I understood what you had meant to say.

4 A Okay.

5 Q I understand that simplified addresses are
6 much more likely to appear on a rural route.

7 A Right. DALs appear on both.

8 Q Both. Okay. And so if you were asked, as I
9 thought he said, can you say typically on a city route
10 whether the saturation flats tend to have DALs or they
11 tend to be on-piece addressed? Can you say which
12 circumstance is more typical?

13 A On city routes the saturation flats
14 generally have a DAL. I can't say that they always
15 have a DAL. I think actually it's only 40 percent of
16 the time that they have a DAL.

17 Q Okay.

18 A I'm not that witness, so I'm not certain.

19 Q Thank you. Separately Mr. Olson talked to
20 you, and two different times during the cross there
21 was some reference to operational restrictions.

22 A Yes.

23 Q One circumstance had to do with the layout
24 of the vehicle or some work rule or logistical
25 constraint in the vehicle about how many --

1 A How many trays of mail you could have
2 forward with you.

3 Q Right.

4 A You also refer to circumstances/operational
5 restrictions where more than one saturation flat
6 mailing would have to be delivered on a given day
7 because it could not be deferred because there was
8 some operational reason or circumstance why it could
9 not be deferred.

10 I take it those are a different set of
11 operational circumstance than the --

12 A Those circumstances are the timeframe that
13 the mailer requests that it be delivered in and in
14 trying to satisfy the customer's needs and give them
15 service.

16 MR. BAKER: Okay. Thank you, Mr. Chairman.

17 CHAIRMAN OMAS: Thank you, Mr. Baker.

18 Mr. Costich, please identify yourself.

19 MR. COSTICH: Thank you, Mr. Chairman. Rand
20 Costich for the OCA.

21 CROSS-EXAMINATION

22 BY MR. COSTICH:

23 Q Ms. Coombs, you were discussing with counsel
24 for Valpak the layout of the LLV. Do you recall that?

25 A I do.

1 Q And I believe you said there was a large
2 metal shelf to the left of the driver that holds three
3 containers of mail?

4 A Yes.

5 Q And those are generally trays?

6 A Yes, generally.

7 Q And is there a difference between a letter
8 tray and a flat tray?

9 A There is a difference between the definition
10 of a letter tray and a flat tray, but often flats are
11 placed vertically in the same kind of tray for
12 delivery.

13 Q And I believe you also said that under that
14 metal shelf there would be another container for
15 collection mail. Is that correct?

16 A It is generally a flat tray that they have
17 placed under the shelf. It comes down usually kind of
18 in this kind of a configuration, and they will place a
19 flat tray in there so that the outgoing mail as it's
20 collected can be placed in there.

21 Q So letters and flats would both be put into
22 that same container?

23 A It depends. In some locations they make
24 them divide it so they put some kind of divider in.
25 In some locations they allow them to put both letter

1 and flats in there.

2 Q What about packages?

3 A Packages, if they're large enough, they
4 generally store the outgoing ones in the back.

5 Q Are you familiar with a service called
6 carrier pickup?

7 A I'm somewhat familiar.

8 Q You know it exists?

9 A I know it exists.

10 MR. KOETTING: Excuse me. Is this following
11 up on any particular part of the cross-examination by
12 Mr. Olson?

13 MR. COSTICH: This is follow-up on the
14 treatment of collection mail.

15 MR. KOETTING: I don't recall any discussion
16 of carrier pickup from Mr. Olson.

17 MR. COSTICH: I believe we had a discussion
18 of what is done with outgoing mail.

19 MR. KOETTING: I don't have an objection at
20 the moment, but stand by.

21 BY MR. COSTICH:

22 Q Ms. Coombs, I believe you said that if the
23 packages were large enough they would go in the back
24 of the vehicle and not in the tray in the front?

25 A Not in the delivery area. Yes.

1 Q Do you know when the carrier pickup service
2 began?

3 A I know when it was first discussed and when
4 the concept was originally talked about, but I'm not
5 sure the exact day that it began.

6 Q Do you know whether it was in existence in
7 2002?

8 MR. KOETTING: Perhaps we could have a
9 definition, if we're going to introduce this concept
10 of carrier pickup that wasn't talked about, for
11 exactly what Mr. Costich means by that term.

12 MR. COSTICH: The Postal Service has kindly
13 provided me on their website with a description of
14 carrier pickup service. Carrier pickup allows you to
15 request a package pickup when your mail is delivered.

16 Is that sufficient for counsel?

17 MR. KOETTING: No. For example, whether you
18 were confining your question to carrier pickup using
19 the internet to notify an office that there are items
20 to be picked up or if you were just talking about
21 generically the existence of the fact that carriers
22 historically have picked up outgoing mail at the time
23 they deliver delivery mail.

24 BY MR. COSTICH:

25 Q The carrier pickup service provides both for

1 telephoning to request a pickup when the carrier
2 arrives? Is that correct?

3 A Yes. At some locations, yes.

4 Q Or you can do the same thing over the
5 internet?

6 A At some locations, yes.

7 Q I believe my last question was do you know
8 whether carrier pickup was in existence in 2002?

9 A I do not know if it was in existence in
10 2002.

11 Q Do you know whether it would be considered a
12 successful service?

13 A I don't know that.

14 Q Do you know what volumes have been collected
15 using this service in the past year?

16 MR. KOETTING: Mr. Chairman, I object. This
17 is well beyond the scope of Mr. Olson's cross-
18 examination.

19 CHAIRMAN OMAS: Yes. Move on, Mr. Costich.

20 MR. COSTICH: I'm sorry. I don't quite
21 understand.

22 If I had requested oral cross-examination
23 would I be allowed to ask these questions? Is there
24 some reason I'm restricted to following up on Mr.
25 Olson?

1 MR. KOETTING: Yes.

2 CHAIRMAN OMAS: State your reasons, Mr.
3 Koetting.

4 MR. KOETTING: The OCA did not request the
5 opportunity of oral cross-examination. There were
6 certain parties that did.

7 Follow-up, which is what Mr. Costich is
8 engaging in, is limited in scope to the cross-
9 examination of the parties that requested the
10 opportunity to do cross-examination.

11 CHAIRMAN OMAS: Thank you.

12 MR. COSTICH: Mr. Chairman, my understanding
13 of the practice has been that parties who did not
14 request in writing oral cross-examination are offered
15 the opportunity to conduct oral cross-examination.

16 CHAIRMAN OMAS: Mr. Costich, you're correct
17 in some ways, but if you had this line of questioning
18 you should have requested oral cross-examination so
19 the witness could have been prepared.

20 In this instance she has told you a number
21 of times she does not know your answers, so would you
22 please move on?

23 MR. COSTICH: Those are all my questions,
24 Mr. Chairman.

25 CHAIRMAN OMAS: Thank you, Mr. Costich.

1 Is there anyone else who wishes to cross-
2 examine Witness Coombs?

3 (No response.)

4 CHAIRMAN OMAS: Mr. Koetting, would you like
5 some time with your witness?

6 MR. KOETTING: If I could have five minutes
7 please, Mr. Chairman?

8 CHAIRMAN OMAS: Thank you. Why don't we
9 just take about 10 minutes and come back at 11:00?

10 THE WITNESS: Thank you.

11 (Whereupon, a short recess was taken.)

12 CHAIRMAN OMAS: Mr. Koetting?

13 MR. KOETTING: Thank you, Mr. Chairman.

14 The Postal Service has no redirect for
15 Witness Coombs.

16 CHAIRMAN OMAS: Thank you.

17 Ms. Coombs, that concludes your testimony
18 here today. We appreciate your contribution to the
19 record. You did an excellent job on your first
20 appearance. You are now excused. Thank you.

21 THE WITNESS: Thank you very much.

22 (Witness excused.)

23 CHAIRMAN OMAS: Mr. Koetting, will you
24 identify your next witness, please?

25 MR. KOETTING: Thank you, Mr. Chairman.

1 The Postal Service calls to the stand once
2 again Michael D. Bradley.

3 CHAIRMAN OMAS: You may proceed since Mr.
4 Bradley has already been sworn.

5 Whereupon,

6 MICHAEL D. BRADLEY

7 having been previously duly sworn, was
8 recalled as a witness herein and was examined and
9 testified further as follows:

10 (The document referred to was
11 marked for identification as
12 Exhibit No. USPS-T-14.)

13 DIRECT EXAMINATION

14 BY MR. KOETTING:

15 Q Dr. Bradley, I've just handed you a document
16 entitled Direct Testimony of Michael D. Bradley on
17 Behalf of the United States Postal Service, which has
18 been labeled as USPS-T-14. Are you familiar with that
19 document?

20 A I am.

21 Q Was it prepared by you or under your
22 supervision?

23 A It was.

24 Q And if you were to testify orally today
25 would the contents of this document reflect the

1 testimony that you would give orally?

2 A It would.

3 MR. KOETTING: With that, Mr. Chairman, the
4 Postal Service requests that the direct testimony of
5 Michael D. Bradley on behalf of the United States
6 Postal Service, USPS-T-14, be admitted into evidence.

7 CHAIRMAN OMAS: Is there any objection?

8 (No response.)

9 CHAIRMAN OMAS: Hearing none, I will direct
10 counsel to provide the reporter with two copies of the
11 corrected direct testimony of Michael D. Bradley.

12 That testimony is received into evidence.
13 However, as is our practice, it will not be
14 transcribed.

15 (The document referred to,
16 previously identified as
17 Exhibit No. USPS-T-14, was
18 received in evidence.)

19 CHAIRMAN OMAS: Mr. Bradley, have you had an
20 opportunity to review the material packet of written
21 cross-examination presented to you this morning?

22 THE WITNESS: Yes, sir.

23 CHAIRMAN OMAS: If those questions were
24 posed to you today orally would your answers be the
25 same as those you provided in writing?

1 THE WITNESS: They would.

2 CHAIRMAN OMAS: Are there any corrections or
3 additions you would like to make to those answers?

4 THE WITNESS: No, sir.

5 CHAIRMAN OMAS: There being none, counsel,
6 would you please provide two copies of the corrected
7 designated written cross-examination of Witness
8 Bradley to the reporter?

9 That material is received into evidence and
10 is to be transcribed into the record.

11 (The document referred to was
12 marked for identification as
13 Exhibit No. USPS-T-14 and was
14 received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

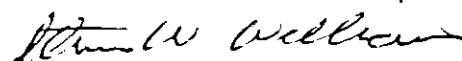
Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS MICHAEL D. BRADLEY
(USPS-T-14)

<u>Party</u>	<u>Interrogatories</u>
Advo. Inc	OCA/USPS-T14-2, 4-6, 11 VP/USPS-T14-8-9
Office of the Consumer Advocate	OCA/USPS-T14-1
Postal Rate Commission	OCA/USPS-T14-1-7, 9-12 VP/USPS-T14-1, 5, 8-12, 15-17
Valpak Direct Marketing Systems, Inc and Valpak Dealers' Association Inc.	VP/USPS-T14-1, 5, 8-12, 15-17

Respectfully submitted, ,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS MICHAEL D. BRADLEY (T-14)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
OCA/USPS-T14-1	OCA, PRC
OCA/USPS-T14-2	Advo, PRC
OCA/USPS-T14-3	PRC
OCA/USPS-T14-4	Advo, PRC
OCA/USPS-T14-5	Advo, PRC
OCA/USPS-T14-6	Advo, PRC
OCA/USPS-T14-7	PRC
OCA/USPS-T14-9	PRC
OCA/USPS-T14-10	PRC
OCA/USPS-T14-11	Advo, PRC
OCA/USPS-T14-12	PRC
VP/USPS-T14-1	PRC, Valpak
VP/USPS-T14-5	PRC, Valpak
VP/USPS-T14-8	Advo, PRC, Valpak
VP/USPS-T14-9	Advo, PRC, Valpak
VP/USPS-T14-10	PRC, Valpak
VP/USPS-T14-11	PRC, Valpak
VP/USPS-T14-12	PRC, Valpak
VP/USPS-T14-15	PRC, Valpak
VP/USPS-T14-16	PRC, Valpak
VP/USPS-T14-17	PRC, Valpak

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

OCA/USPS-T14-1. The purpose of this interrogatory is to understand whether any mail shapes other than letters are in the DPSL variable in your study; the DPSL variable subsequently becomes a part of your "letter" variable. Accordingly, we wish to determine whether any other type of mail is being included in the "letter" variable. In your SAS programs in R2005-1 for the estimation of City Carrier Costs you define letters as "let=cl+dpsl"; that is, letters are the total of delivery point sequenced mail and cased letters "cl", where "cl=cal+cnl," indicating that cased letters are the sum of cased automated letters and cased non-automated letters.

- (a) Does the DPS mail contain any shape of mail other than letters? If your answer is affirmative, please explain.
- (b) Do cased automated letters contain any shapes other than letters? If your answer is affirmative, please explain.
- (c) Do cased non-automated letters contain shapes other than letters? If your answer is affirmative, please explain.

Response:

- a No, it is a measure of letter mail.
- b No, it is a measure of letter mail
- c No, it is a measure of letter mail

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

OCA/USPS-T14-2. The purpose of this interrogatory is to identify a possible change to the SAS code in the carrier cost programs. The change would primarily affect the regression coefficients for the density variables. In the SAS programs there is a section denoted as follows:

```
*****;
** Create Zip Code - Day Data Set for Estimation***;
*****;
proc means noprint; by zip date;
var delt let cf seq spr cv blk dp units water land;
output out=poolr sum = delt let cf seq spr scv blk dp units water land
      mean = adelt alet acf aseq aspr acv ablk adp anunits awater aland n=nrts;
```

This is followed in the next section by two lines that create the density variable:

```
sqm=land;
dens=dp/sqm
```

The potential problems are highlighted in bold. In aggregating to the zip code level a number of variables are created (e.g., units, water, and land) that are the SUM over all routes in the zip code. Since **water** and **land** are constants for all routes within a zip code it does not appear that they should be summed. Instead one should take the mean—which is what is done in creating the variables (**awater aland**). Accordingly, in creating the "dens" variable the division should be a division by **ALAND** and not by **LAND**. This will result in a larger value for the "dens" variable and smaller regression coefficients for the density variable. Although it does not appear that there will be a major impact on the computed elasticities, this appears to be a change that should be made to the program. Please confirm the above analysis. If you do not confirm, please explain your disagreement in detail.

Response:

Not confirmed. While it is certainly true that "land" is a constant within a ZIP CODE over a two week period, it is not true that the number of routes included in each ZIP CODE observation is constant. As the number of included routes varies, so does the number of delivery points. I did not have information about the square miles associated with the included and excluded routes. Thus, I used a crude method to attempt to account for the variation in number of routes included. If you look at the above code, you will see

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

the phrase "n=nrts." This implies that that the number of underlying observations included in each ZIP CODE -- day is the number of routes. By summing the "land" variable over the underlying observations, I thus weighted the "land" variable by the number of routes included in that ZIP CODE -- day observation. This provides a rough variation in the land variable as the number of reported routes varied.

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

OCA/USPS-T14-3. The purpose of this interrogatory is to complete the collection of the various versions of witness Bradley's Carrier Cost programs in order to analyze differences among programs. In your testimony in R2005-1 on carrier cost volume variability you provided a number of SAS programs for the estimation of volume variability—for example in OCA/USPS T14-30; OCA/USPS T14-37; as an Attachment to Response to POIR no 6, item 5; and in your response to POIR No. 9, Question 7. Please indicate which SAS program generates the variabilities which you propound as correct. If your answer is that none of the programs are applicable, please provide a working copy of the program which generates the variabilities which you propound as correct as well as a program log.

Response:

The recommended variabilities were estimated in a SAS program entitled, "ESTIMATING DELIVERY EQUATIONS.SAS" which were presented in Library Reference USPS-LR-K-81 in Docket No. R2005-1

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

OCA/USPS-T14-5. The purpose of this interrogatory is to obtain additional documentation for the F test in order that the conclusions can be traced and verified. Please turn to your response to POIR No. 9, Question 10 (Docket No. R2005-1).. Please provide the following:

- (a) A copy of the SAS program, with copies of the logs and outputs for the two equations used.
- (b) The values for both of the R squares.
- (c) The value of J.
- (d) The value of K.
- (e) The value of n.

Response:

a The SAS program was provided in Library Reference USPS-LR-K-81 in Docket No. R2005-1. It is entitled: "ESTIMATING DELIVERY EQUATIONS.SAS" The calculation of the F test just takes values from those results (given below) and plugs them into the formula

b - e

J	21
N	1545
K	35
R^2 Restricted	0.8183
R^2 Unrestricted	0.8520

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

OCA/USPS-T14-6. The purpose of this interrogatory is to obtain additional information on the choice of full quadratic and restricted quadratic approaches in the analysis of City Carrier Costs. It appears that the reason you used the restricted quadratic form instead of the unrestricted quadratic form in your carrier cost analysis was your initial obtaining of a negative coefficient for one of the regressors. If you had not obtained a negative coefficient, then you would have had to choose between the restricted and the full quadratic equations on some other basis.

- (a) What would have been the appropriate criteria for choosing between the two different equations? Please provide references to the literature and/or textbooks as appropriate, as well as your explanations.
- (b) Does the elimination of some but not all of the cross product terms from the full quadratic case introduce bias to the regressors, and if so how would one test for bias and/or determine whether the biased equation was preferable to other possible results? Please provide references to the literature as appropriate.
- (c) Did you or have you performed any analysis related to the above issues? If so, please provide the analyses.

Response:

- a The selection of functional form can be complex and subtle and depends upon a number of factors, not the least of which is the use to which the equation will be used and the presence or absence of prior or extra-sample information. For example, if the equation is to be used for forecasting, then a forecasting accuracy metric (like mean squared forecast error) may be used as the basis for selecting the functional form. In addition, previous work on similar equations or foreknowledge about conditions on certain parameters can also inform the specification search. In the instant case, in which the goal is estimating variabilities for a number of shape vectors, I think the appropriate criteria are a combination of statistical properties and the ability of the equation to estimate useful and sensible variabilities. A nice discussion of the issues associated with

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

determining a specification is provided by William Greene in Econometric Analysis, Macmillan Publishing Company, 1993 at 244-253.

- b. It depends on the relationship between the omitted variables and the retained variables and between the omitted variables and the dependent variable. For example, consider a simple two-variable case. Let the true regression be given by

$$y_k = \gamma_1 x_{1k} + \gamma_2 x_{2k} + \varepsilon_k.$$

Suppose however, that one estimates an alternative model:

$$y_k = \hat{\gamma}_1 x_{1k} + \hat{\varepsilon}_k.$$

The formula for the regression coefficient is given by:

$$\hat{\gamma}_1 = \frac{\sum x_{1k} y_k}{\sum x_{1k}^2}.$$

Substituting the definition of y_k from the first equation yields:

$$\hat{\gamma}_1 = \frac{\gamma_1 \sum x_{1k}^2 + \gamma_2 \sum x_{1k} x_{2k} + \sum x_{1k} \varepsilon_k}{\sum x_{1k}^2}.$$

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

Taking the expected value yields:

$$E[\hat{\gamma}_1] = \gamma_1 + \gamma_2 \frac{\sum x_{1k} x_{2k}}{\sum x_{1k}^2}.$$

Bias is defined by an expected value of a parameter being different from the "true" value. In this case, the bias is measured by the second term. Note the value of that term depends upon γ_2 -- a measure of the relationship between the omitted variable and the dependent variable and the covariance between x_1 and x_2 .

The biased equation can be preferred to the unbiased equation, either on the basis of extra sample information or on the basis of improved precision of the estimate. A biased estimate may be preferred to an unbiased estimate if it has a reduce variance relative to the unbiased estimate. If the choice is to be made on this basis, one can apply the mean square error test. For a discussion of this test please see William Green, Econometric Analysis, Macmillan Publishing Company, 1993 at 249.

- c Please see my response to Question 9, POIR 9, in Docket No. R2005-1.

**Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA**

OCA/USPS-T14-7. The purpose of this interrogatory is to obtain additional documentation for the Jacque-Bera statistic in your answer to POIR No. 9, Question 8 (Docket No. R2005-1). Do you have any SAS programs other than those previously filed in support of your answer to the FOIR?

Response:

No

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA

OCA/USPS-T14-9. In USPS-T-14, Docket No. R2006-1 you have referenced your work in USPS-T-14, Docket No. R2005-1. The purpose of this interrogatory is to understand your treatment of heteroscedasticity in USPS-T-14, filed in R2005-1. You state at 33, lines 15-17, "Because of the large cross sectional variation in the data, it is likely that the econometric estimates for the delivery equations suffer from heteroscedasticity."

- (a) Did you test for the existence of heteroscedasticity? If so, please indicate where you have presented the test and/or please present the test. If your answer is negative, please explain why you did not test for heteroscedasticity.
- (b) You present the HC standard error and HC t-statistic in various tables in your testimony, e.g. Table 3 at 35. Please state where the SAS or other program presenting the computations may be found in your testimony. Alternatively, please provide the program and/or the detailed computations if available or, alternatively, explain the unavailability of the program.

OCA/USPS-T14-9 Response.

- a Please see my response to ADVO/USPS-T14-3b, Docket No. R2005-1.
- b Please see my response to OCA/USPS-T14-17, Docket No. R2005-1.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA

OCA/USPS-T14-10. The purpose of this interrogatory is to obtain additional understanding of marginal cost and volume variability in the unrestricted and restricted quadratic equations supporting your testimony in USPS-T-14, filed in R2005-1. You have generated the equations based on a dataset of 1545 Zip code days. Suppose that the number of letters were different than is the case in the database. For example, suppose the total number of letters was 50 percent greater for each Zip code day, with all other data unchanged. Alternatively, suppose the number of letters was 50 percent less for each Zip code day, with all other data unchanged.

- (a) Would the volume variability change for letters? Please explain your answer.
- (b) Would the marginal cost for letters change? Please explain your answer.
- (c) Suppose that in general the numbers of letters, flats, sequenced mail, collection volume, and parcels changed simultaneously. Would this affect volume variabilities and/or marginal costs? Please explain your answer

OCA/USPS-T14-10 Response:

- a. Yes. In the scenario described in the question, the volume variability would become zero. If the total number of letters was increased by 50 percent but all other variables (including regular delivery time) were held constant, the percentage change in time in response to the volume change would necessarily be zero.
- b. Yes. If there is no change in delivery time in response to 50 percent increase in letters, then the marginal cost (time) would be zero. Similarly if there was a 50 percent decrease in letters and no change in delivery time then the marginal cost of those letters would, presumably, be zero.
- c. Whether or not there would be a change in volume variabilities and/or marginal costs (times) would depend upon the change, if any, in delivery time that occurred in response to the volume change.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA

OCA/USPS-T14-11. The purpose of this interrogatory is to obtain a better understanding of the full quadratic and restricted quadratic functions used in your testimony in USPS-T-14, filed in R2005-1.

- (a) Please explain what economic type of function is being estimated—e.g., cost function, production function, factor demand function, or other type of function.
- (b) Please provide literature citation(s) that define the type of function you reference in (a).

OCA/USPS-T14-11 Response:

- a. The type of economic function being estimated is known as a 'first order condition.'¹ This condition provides a model of the process the Postal Service goes through to minimize the delivery time within a ZIP CODE given the volume to be delivered, the number of delivery points in the ZIP CODE, the physical geography of the ZIP CODE and the work rules (e.g. the "eight hour day rule") governing the labor conditions of city carriers.
- b. For an example of the definition and estimation of this type of function please see Bernard, Stephane, Cohen, Robert, Robinson, Matthew, Roy, Bernard, Toledano, Joelle, Waller, John and Xenakis, Spyros, "Delivery Cost Heterogeneity and Vulnerability to Entry," in Postal and Delivery Services: Delivering on Competition, Michael Crew and Paul Kleindorfer (eds.), Kluwer, 2002.

¹ This type of equation might also be derived from solving a set of first order conditions, depending upon the structure of the underlying optimization problem.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by the OCA

OCA/USPS-T14-12. The purpose of this interrogatory is to obtain additional information on your estimation procedure in reference to the full quadratic and restricted quadratic functions in the analysis of City Carrier Costs. On page 37 of your testimony in USPS-T-14 in Docket R2005-1 you indicate "The usual procedure is to drop unnecessary variables in an attempt to maintain the integrity of the regression while reducing the impact of the multicollinearity." The results for the Full Quadratic dropping only small parcel cross products are presented in Table I-4 of Appendix I of the *Opinion and Recommended Decision, Docket R2005-1*. The concept of deleting variables in the presence of multicollinearity is well known. For example, you dropped all of the cross products in the full quadratic, arriving at a reduced quadratic. One could, however, have dropped fewer variables based on the VIF factors. For example, five of the cross product variables have VIF values less than 10. Only 6 of the cross product variables had VIF values greater than 43.3, the VIF value for the variable letters, which you retained

- (a) Is there any basis for dropping and/or retaining variables based on the VIF values? Please explain.
- (b) Why would an equation retaining some of the low VIF value cross product variables be worse than an equation in which all of the cross product variables had been dropped? Please provide citations to the literature as appropriate.

OCA/USPS-T14-12 Response.

- a Not that I am aware of. The VIF is a diagnostic tool that detects the presence of multicollinearity but does not provide an explicit guideline on how to correct for that condition.
- b It is difficult to answer the question without a more concrete definition of "worse." There are no standard procedures for dealing with multicollinearity and some judgment is necessarily involved. For the results of an estimation process which retains some of the cross product terms and has lower Variance Inflation Factors than the full quadratic, please see my response to POIR 9, Question 11, Docket No. R2005-1.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-1

Please refer to your testimony at page 10, lines 9-12, where you state that the costing methodology presented by the Postal Service in this docket is the same as that chosen by the Commission in Docket No. R2005-1.

- a. Please confirm that the "same" costing methodology means using the same econometric equations and other estimating techniques that you recommended from among the various econometric models and techniques discussed in your testimony in Docket No. R2005-1, USPS-T-14, at pages 32-55. If you do not confirm, please explain what is intended by your statement.
- b. Aside from using the same methodology as that in Docket No. R2005-1, were any equations previously employed re-estimated, using data more recent than those which you used in Docket No. R2005-1, or are all city carrier cost distributions in this docket based on the previous data, as well as the methodology, presented in Docket No. R2005-1? If any equations were reestimated, please provide all new parameters which you estimated using more recent data than those used in Docket No. R2005-1.
- c. In the event that you did not do any re-estimation using more recent data, please explain what precluded using more recent data, in light of the statement in your testimony in Docket No. R2005-1, USPS-T-14, page 13, lines 6-14, where you state that "the new study should be consistent with ongoing USPS city carrier data collection efforts" so as to avoid the drawback of the previous methodology which "precluded updates being done on a timely basis."

Response:

- a. Not confirmed. The statement referred to the use of the same methods for cost pool formation, construction of volume variable costs, and distribution of volume variable costs to products. That said, the equations that I recommended in Docket No. R2005-1 are a necessary predicate for the application of the variabilities and are thus implicitly incorporated.
- b. No.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

c. As I explained in my testimony, there was one week between the issuance of the Commission's Opinion and Recommended Decision and when the inputs into the city carrier street time model were due. I think that a reasonable interpretation of "timely" anticipates a period of time longer than one week.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-5

Please confirm that the practice of pivoting could not have had an effect on the data collected in the "old" system for determining attributable city carrier cost. If you do not confirm, please explain which component(s) of the old system would have been affected (e.g., access time, load time, route time, the CAT/FAT split, etc.).

Response:

Not confirmed. One of the main components of the old approach was the STS (Street Time Sampling) system. This system "beeped" the carrier three times a day and inquired as to his or her activity at the time. "Pivoting" could have affected the responses to this survey and thus influenced the results.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-8

For those occasions when some carriers who participated in the CCCS had significantly more mail than they could sort and deliver within their allotted 8 hours, and the mail for a portion of their respective routes was given to other carriers in the delivery unit who experienced undertime on their routes, please explain all steps that were taken to assure consistency of data as between (i) the time recorded by carriers with excess volume, and (ii) the volume of mail actually delivered by those carriers with excess volume.

Response:

The delivery time and volumes were recorded by route, not carrier. This ensures consistency between the volumes and delivery times regardless of which carriers is performing the action.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-9

- a. Please explain the extent to which you believe carriers, with an interest in getting their work done within the allotted time and in providing some relief to themselves when feasible, might endeavor to cover the route at a more rapid rate (i.e., at an "above-normal" rate) on high-volume days and work at a normal or below-normal (i.e., more leisurely) rate on low-volume days.
- b. Did you discuss the issue raised in part a. with anyone familiar with carrier operations?
- c. Have you looked for evidence concerning whether the practice in part a occurs, such as by analyzing overtime and volume? If so, please describe what you found.
- d. If the practice described in part a. should in fact occur, please describe the effect it would have on the econometrics you used in Docket No. R2005-1 (USPS-T14).
- e. If the practice in part a occurs, might the additional time taken on a high-volume day tend to be much smaller than would be implied by the characteristics and volume of the mail? Please explain.

Response:

- a. I don't see how working harder on high volume days would provide a carrier with any "relief" as the questions suggests. Thus, I have no basis for confirming this speculation.
- b. My recollection is not sufficiently sharp so as to cite a specific conversation, but my general recollection is that operations experts did not assert the existence of the specified behavior

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

- c. To the extent the hypothesized behavior exists, it does not appear to have significant impact on the econometric results. As I explained in testimony cited in the question:¹

Given that mail volume fluctuates by the day of the week a hypothesis that bears investigation is that "heavy" days are different from "light" days. This is known as the "day of week" effect and can be tested by including categorical variables in the regression, one for each day of the week.

Analysis of the day of week categorical variables revealed that only one, Wednesday was significantly different from zero. The model was reestimated with this categorical variable included and the resulting variabilities are presented in the following table. These results are virtually the same as the recommended model indicating that the day of week effect is not important for estimating variabilities.

- d & e If the described behavior does it exist, the effect appears to be too small to have material effect on the econometric results. Please see my answer to part c. above.

¹ See, Direct Testimony of Michael D. Bradley on Behalf of the United States Postal Service, USPS-T-14, Docket No. R2005-1, at 48.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-10.

- a. In Base Year 2005, according to your analysis of city carrier street costs, what was the unit cost for delivering the following:
- (i) DPS'd letter;
 - (ii) cased letter;
 - (iii) sequenced letter;
 - (iv) cased flat; and
 - (v) sequenced flat?
- b. In your opinion, when the effort and extra motions required to handle extra (i.e., "third") bundles of sequenced mail on the street are taken into account, does a reasonable relationship exist among the unit costs supplied in response to part a? Please explain why, or why not.

Response:

- a. I have not done any analysis of city carrier street costs for Base Year 2005, so I have no basis for providing an answer to this question. Moreover, even in the last case, my testimony and analysis were focused on measuring the elasticity of delivery time and distributing the volume variable street time costs to classes of mail.
- b. Not applicable.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-11

In the study described in your testimony (USPS-T-14) in Docket No. R2005-1, did you give any consideration to, or do any analysis relating to, the question of whether the additional time on the street for an additional addressed flat would or would not be the same as the additional time on the street for an unaddressed flat with a DAL that was not cased? If you did, please describe the consideration or what the analysis showed. If you did not, please state whether you believe the question is important or unimportant, and explain your reasoning.

Response:

In the study described in my testimony in Docket No. R2005-1, I did not do an analysis of the relative costs of one-piece addressed flat mailings versus two-piece unaddressed flat mailings. Such an analysis was not required for developing total volume variable cost by class. As to whether or not the question is important, I think the answer would depend upon one's frame of reference. Moreover, establishing the standard for "importance" can be itself problematic. Notwithstanding the foregoing, I would note that such a comparative analysis of costs is not a necessary prerequisite for calculating costs by class or subclass. To see this, assume that the one-piece mailing and the two-piece mailing are the same class. The volume variable costs of both types of mailings would enter the total volume variable costs for the class.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-12

In planning your study described in Docket No. R2005-1, USPS-T-14, or in interpreting your results, *did you give any consideration to whether the additional time on the street for an additional letter that is DPS'd should be greater than, or less than, the additional time on the street for an additional addressed flat that is cased?* If so, please explain what you concluded.

Response:

In terms of planning the study, the question is asking if I formed what is known as a "prior" belief about the relative street time for a delivery point sequenced letter as compared to a cased flat. Such a prior would be difficult to form because of the number of different cost causing activities that take place on the street, some of which may "favor" DPS letters and some of which may "favor" addressed flats. Examples of these cost causing activities include driving or walking along the route sections, preparing mail for delivery on foot sections, accessing the delivery stops, accessing and obtaining mail from relay boxes, or loading mail in the receptacles. The formation of such a belief is further complicated by distribution of actual volumes across Zip Codes. For example, the belief might have to account for the fact that delivery point sequenced letters and cased flats may not be delivered in the same proportions on motorized and foot routes. This complexity should lead to the formation of a relative diffuse prior, in which strong and precise beliefs are not formulated. It also emphasizes the need for collecting and analyzing data before coming to conclusions. In terms of interpreting the study, I think the results are reasonable given that the unit street time costs for letters and flats are in the same general range and both are less than cost for more time consuming items such as accountables or large parcels that can require a secondary access.

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-15.

This interrogatory concerns your testimony (USPS-T-14) in Docket No. R2005-1, which is *referenced in your testimony in this docket* (USPS-T-14, p. ii, l. 16). The purpose of this interrogatory is to obtain information about the data entries for sequenced mail in your CCSTS data set, which provides the basis for the recommended volume variability derived from your econometric analysis and discussed at pages 34-41 of your testimony (USPS-T-14) in Docket No. R2005-1.

- a. What was the total number of observations in the CCSTS data set used for your Full Quadratic and Restricted Quadratic regression analyses (*i.e.*, the number of observations after completion of all editing)?
- b. In how many of those observations was the volume of sequenced mail greater than zero?
- c. In how many of those observations was the volume of sequenced mail equal to zero?

VP/USPS-T 14-15 Response:

- a. 1,545
- b. 702
- c. 843

Response of Postal Service Witness Michael D. Bradley
To Interrogatories Posed by Valpak

VP/USPS-T14-16.

- a. In view of the density requirement for saturation mail, would you agree that, with respect to an individual route, it essentially tends to be an "all or nothing" proposition for a mailer (*i.e.*, either mail to all, or almost all, of the addresses on the route, or don't mail to that route)? Please explain fully any disagreement.
- b. Would you agree that the other variables for mail delivered by city carriers in your model — *i.e.*, letters, flats, and small parcels — are likely to appear on every route, whereas city carriers on some routes may never have a saturation ("sequenced") mailing to deliver? Please explain fully any disagreement.
- c. Would you agree that saturation mailers tend to mail recurringly to the same areas, and on a fairly regular basis, but some saturation mailers mail to some areas weekly, whereas some may mail to other areas only monthly? Please explain fully any disagreement.
- d. In view of the facts that (i) saturation mail is not sent to all routes or ZIP codes, (ii) saturation mailers send their mail on a fairly regular basis, but mail weekly to some areas and only monthly to other areas, and (iii) the survey data covered only 11 delivery days, with an important holiday in the middle of the survey period, please discuss:
 - (i) what checks you made at the time you did your analysis to ascertain whether the data for sequenced mail were reasonably representative of the universe; and
 - (ii) why, in retrospect, the sequenced mail data used in your analysis should be viewed as reasonably representative of the universe of saturation mail that is taken directly to the street by carriers as sequenced mail.

VP/USPS-T14-16 Response:

- a. While your assertion sounds plausible, I am not sufficiently familiar with the strategies taken by saturation mailers to provide an informed confirmation or denial.
- b. I would agree that letter and flats tend to appear on routes with a daily frequency. On the other hand, I think it is quite possible for a particular route to receive no small parcels on a given day. I would also agree that there will be days in which entire routes deliver no sequenced mailings (as defined by the Postal Service). I am informed that it is unlikely that there may be routes that have never received a sequenced mailing.

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- c. I am not sufficiently familiar with the patterns of mailing by saturation mailers to provide an informed confirmation or denial.
- d i The CCSTS database is at its core a "cross-sectional" database in which the values of both the dependent and independent variables vary across observational units. Thus, there are multiple realizations of the underlying relationship between dependent and independent variables. I thus checked to ensure that the sample underlying the CCSTS was selected randomly following accepted statistical practice for such a data collection efforts. It is my understanding that the ZIP CODES included in the study were randomly selected to provide a sample that reflects the characteristics of the national city carrier delivery network, to provide acceptably accurate estimates of the cost pool proportions, and to provide sufficient observations to support an econometric analysis of the relationship between delivery time and volume. In addition, it is my understanding that the sample was taken at a time to avoid the known seasonal peaks and troughs in mail delivery.
- d ii If one takes the assertions presented in the question as being stipulated, it is my sense that the CCSTS database reflects the characteristics of sequenced mail described. For example, it includes observations in which there is no sequenced mail being delivered despite the presence of other letters and flats being delivered as well as observations in which a sequenced mainlining is being delivered. This reflects the described characteristic of sequenced mail being targeted to some areas

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and not in others. In addition, it is my sense that when there is *sequenced mail* being delivered, in many observations, the number of sequenced mail pieces delivered on a route is quite close to or equal to the number of delivery points. This reflects the characteristic of *sequenced mail* being "all or nothing."

Response of Postal Service Witness Michael D. Bradley
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VP/USPS-T14-17.

In your testimony (USPS-T-14) in Docket No. R2005-1, which is referenced in your testimony (USPS-T-14, p. ii, l. 16) in this docket at pages 40-41, lines 6-8, you explained that "the variabilities listed in Table 6 ... do *not* reflect the relative marginal delivery times for each shape." (Emphasis original.) Please explain how the marginal delivery times (and marginal cost) for each shape can be derived from your analytic approach.

VP/USPS-T14-17 Response:

The marginal times for regular delivery in delivery sections that are embodied in the estimated equations can be calculated with the following formula:

$$MT_{ij} = \frac{\epsilon_{ij} T_{ij}(V, X)}{V_{ij}} = \frac{\partial T_{ij}}{\partial V_{ij}},$$

where MT_{ij} is the marginal time for shape "i" in specification "j," ϵ_{ij} is the variability for shape "i" in specification "j," V_{ij} is the average volume for shape "i" in specification "j," and $T_{ij}(V, X)$ is the delivery time for specification j evaluated at the mean values for volumes and non-volume variables (X)

In concept, calculating marginal cost by shape would require calculating the total volume variable cost by shape and then dividing that by the originating volume for that shape. Note that this is more complex than the above calculation, because it requires calculating volume variable costs by shape across a number of cost pools and then combining them.

1 CHAIRMAN OMAS: Is there any additional
2 written cross-examination for Witness Bradley?

3 (No response.)

4 CHAIRMAN OMAS: This brings us to oral
5 cross-examination.

6 Two participants have requested oral cross-
7 examination, United Parcel Service and Valpak Direct
8 Marketing, Inc. and Valpak Dealers Association.

9 Mr. McKeever, you may begin.

10 MR. MCKEEVER: Thank you, Mr. Chairman.
11 John McKeever for United Parcel Service.

12 CROSS-EXAMINATION

13 BY MR. MCKEEVER:

14 Q Dr. Bradley, we have such a hard act to
15 follow that I don't think we should even try.

16 A Agreed.

17 Q Let me just start out on page 1 of your
18 testimony at lines 10 to 12.

19 There you state that the volume variability
20 of a Postal Service air transportation network can
21 vary widely, and then you go on. Is that correct?

22 A To be clear, what I meant to suggest was
23 that the variability could vary from network
24 construction to network construction. I wasn't trying
25 to suggest that it would vary widely for a given

1 network.

2 Q I understand.

3 A Okay.

4 Q Why did you put the term "volume
5 variability" in quotes there in that sentence? Was
6 there some reason for that?

7 A No. It's considered term of art in Postal
8 practice and I put it in quotations for that reason,
9 but no other reason.

10 Q Okay. You didn't intend to give it any
11 particular or special meaning there other than the
12 meaning it's normally given to in these proceedings?

13 A That's correct.

14 Q Okay. On that same page, page 1, you
15 describe three characteristics of air transportation
16 networks.

17 A I do.

18 Q Are those three situations mutually
19 exclusive, or can a given network exhibit two of those
20 three characteristics at the same time, for example?

21 A Certainly a network could exhibit a volume
22 variability between zero and 100, as well as the use
23 of dedicated equipment.

24 It could also be possible that a network
25 could have dedicated equipment and also be constructed

1 for one product or a group of products.

2 Yes, it's possible that a particular network
3 could have more than one of these characteristics at
4 the same time.

5 Q Okay. Thank you. Now, on page 2 at lines 7
6 to 8 of your testimony you state, and this is much
7 like the sentence we just looked at, that the volume
8 variability can range from zero to 100 percent
9 depending upon the network's operational structure.

10 A Correct.

11 Q So it's operational factors that count in
12 determining volume variability?

13 A It's part of it. As you know, volume
14 variability, whether for a cost driver or for volume,
15 measures how costs respond to changes in volume or
16 changes in the cost drive. An important consideration
17 of that is the operational structure.

18 Q Is it possible to specify other
19 considerations?

20 A Other considerations could come into play in
21 the sense that if this was contractor transportation
22 the nature of the contracting process or the nature of
23 the way the contractors respond to the needs of the
24 Postal Service could come into play.

25 Q Okay. Now, you indicate on page 5 of your

1 testimony at lines 4 to 6 that "The premium cost...",
2 and we're talking here about the former Eagle network.

3 "The premium cost was caused by Express Mail
4 and thus was attributed to Express Mail as part of its
5 incremental cost..." Do you see that?

6 A I'm sorry. You're a little ahead of me.
7 What page again? Page 5?

8 Q Page 5. I apologize.

9 A I have it. Yes.

10 Q Okay. Just to repeat, you state there that
11 "The premium cost," and again of the former Eagle
12 network, "was caused by Express Mail and thus was
13 attributed to Express Mail as part of its incremental
14 cost...." --

15 A Correct.

16 Q -- "...but that the premium cost did not
17 enter the margin cost for Express Mail."

18 A Correct.

19 Q Are you speaking there, I take it, of the
20 Postal Service's marginal cost presentation in that
21 case where the Eagle network was at issue?

22 A Yes. Formally speaking, the volume variable
23 cost that the Postal Service calculated.

24 Q Okay. The Commission did treat that premium
25 cost as part of the attributable cost of Express Mail

1 in that case, didn't it?

2 A That's my recollection.

3 Q And so those attributable costs were marked
4 up by the Commission to arrive at the final rates for
5 Express Mail? Is that correct?

6 A That's beyond my expertise.

7 Q Okay. Could you please turn to page 4 of
8 your testimony?

9 A I have it.

10 Q At lines 6 to 9. Is it your testimony that
11 whenever a declining block rate structure is used that
12 mere fact alone establishes that there are natural
13 economies of scale?

14 A I believe I'm saying that the declining
15 block structure is a consequence of the natural
16 economies of scale.

17 I wasn't speculating as to whether it was --
18 I believe your question was -- actually, would you
19 repeat your question again so I get it right?

20 Q Sure. You state there on page 4 at lines 6
21 to 9, "For example, the existence of declining block
22 rates in air transportation network contract" -- I
23 take it that should be contracts -- "(which are a
24 consequence of the natural economies of scale) will
25 lead to a volume variability which is less than 100

1 percent."

2 A Yes.

3 Q Maybe I'm really asking you for
4 clarification. When you added in parentheses "which
5 are a consequence of the natural economies of scale"
6 were you distinguishing certain types?

7 Were you distinguishing situations where
8 declining block rates result from natural economies of
9 scale, or were you trying to say that whenever
10 declining block rates in air transportation are used
11 that is a consequence of natural economies of scale?

12 A I think what I was trying to say was that
13 when you have declining block rates in the contract
14 terms that would lead to a volume variability which is
15 less than one, and the reason for declining block
16 rates could be the natural economies of scale.

17 Q But sometimes there are declining block rate
18 structures even though there are no economies of
19 scale?

20 A I don't know.

21 Q You don't think that sometimes suppliers and
22 the customers wouldn't negotiate a declining block
23 rate structure regardless of whether there are
24 economies of scale?

25 A I hadn't contemplated that in writing the

1 testimony.

2 Q Okay. Is it possible that a supplier may
3 use a declining block rate structure simply as a
4 pricing strategy or inducement for the customer to
5 give me more volume even in the absence of economies
6 of scale?

7 A I guess the question would be why would the
8 supplier provide a lower price if they didn't have a
9 lower cost for doing so and thus reducing their
10 profit, so yes.

11 I think profit maximizing would probably
12 suggest that wasn't the case, but if they weren't
13 profit maximizing I think perhaps they could.

14 Q Well, suppose that the supplier's cost to
15 the supply were \$3 to provide something, and it was
16 charging \$5 and getting a certain volume, making a
17 profit, et cetera, and getting a certain volume, and
18 it preferred to get more volume.

19 Wouldn't that supplier possibly agree to a
20 block rate structure where it would charge \$5 for the
21 first say 100 units and \$4 for the next 100 units,
22 even though its cost was \$3?

23 A Again, I think in your question the premise
24 was that the supplier wanted to get more volume, which
25 is perhaps different than a profit maximization goal.

1 I would agree. If a supplier was say simply
2 trying to maximize volume as opposed to profits then
3 they perhaps would consider a pricing structure which
4 would lead to lower rates to get additional volume
5 without regard to cost.

6 Q I'm not sure it's inconsistent with profit
7 maximization, so let me explore that a little bit.

8 A Okay.

9 Q Again, their cost is \$3. The supplier's
10 cost is \$3. It's charging \$5, and it's getting a
11 certain volume as a result of that.

12 Now, if it charges \$4 it's going to get more
13 profit, is that correct, because that's a price
14 greater than the \$3 it cost?

15 A I think it's actually going to get less
16 profit because it had been making \$2 of profit. Now
17 it's only going to make \$1.

18 Q No. We're in a declining block rate
19 structure. It will get \$5 on say the first 100 units.

20 A Okay.

21 Q But all it's getting is 100 units. If it
22 charges \$4 for the next 100, it will get an additional
23 100 units at \$4 that it wouldn't get otherwise.

24 A That's your assumption? You're saying it
25 wouldn't get those otherwise?

1 Q Yes.

2 A That's the unknown in the problem. To look
3 at that issue, one would have to start calculating
4 elasticities of demand.

5 Q But at least if the supplier were to drop
6 the price for the second 100 units say to \$4 and
7 thereby as a result get greater volume it would make
8 more money. Isn't that correct?

9 A If you're assuming that the customer would
10 not pay the \$5 for the second 100 block --

11 Q That's correct.

12 A -- then it would make a greater revenue and
13 profit, yes.

14 Q Okay. So there could be a situation where
15 there's an incentive for a supplier to enter into a
16 declining block structure even where there may not be
17 economies of scale?

18 A I don't think so. Well, it's complicated
19 because you're setting up a very general situation
20 without knowledge of what the elasticities of demand
21 are, what the competition is.

22 One of the issues in this is why they
23 weren't already charging the minimum price they had to
24 in be competition. For example, do they have a
25 flexibility in they're the sole provider of this? In

1 that case they would be able to do so.

2 I think it's difficult to make a generality
3 without knowing what the overall scenario is.

4 Q Well, suppose they weren't already charging
5 the \$4 because they could get the \$5. Isn't that
6 possible? Don't suppliers or sellers do that all the
7 time?

8 A Right, but why is competition allowing them
9 to charge \$5 for this first block and \$4 for the
10 second block if the cost is -- I believe you said the
11 cost is only \$3.

12 Q That's correct.

13 A So why are they able to make a \$2 profit?
14 Why isn't competition forcing them to essentially
15 price at cost?

16 In a competitive environment they would have
17 to have declining costs to have a declining block rate
18 structure. Now, if they have some market power, as I
19 think you're suggesting here, then strategic behaviors
20 could come into play.

21 Q All right. So market power is one situation
22 where that would happen?

23 A It's possible, yes.

24 Q Okay. But also competitive markets don't
25 happen and adjust overnight, do they?

1 A Excuse me?

2 Q Competitive markets don't adjust overnight,
3 do they?

4 A It depends upon the market, but certainly we
5 would agree air transportation does not.

6 Q Okay. So there would be a situation where a
7 supplier might, for example, charge the \$5 and be able
8 to do that, but over time find that it has to, if it
9 wants to again induce more supply and make more
10 profit, drop its price in a declining block rate
11 structure to get that additional volume?

12 A Again, this goes back to I think we talked
13 about earlier that part of the consideration of the
14 volume variability is the procurement structure. Is
15 there competition in the bids?

16 These prices just don't arise out of the
17 blue. They come from some sort of either competitive
18 bidding process or market clearing process and so if
19 this hypothetical supplier was the only supplier in
20 existence initially then there would potentially be
21 some time until the adjustment takes place.

22 However, as you may be aware of, the theory
23 of contestable markets suggest that even though there
24 is not an existing competitor there at the moment
25 there still might be competitive discipline on the

1 supplier because they know if I go ahead and charge
2 the higher price that would induce entry by a
3 potential competitor.

4 Q The Postal Service does a similar thing,
5 doesn't it, with its negotiated service agreements?

6 A I'm not aware of that.

7 Q You're not aware?

8 A I don't know how they work.

9 Q All right. So you don't know that a
10 declining block rate structure in an NSA might have as
11 its purpose to attract more volume?

12 A I'm not aware of what their motivations are,
13 frankly.

14 Q Okay. Am I correct that when the Postal
15 Service purchases air transportation it is not paying
16 for excess or unused capacity?

17 A I'm not really an expert on the FedEx
18 contract, so I don't know.

19 Q Well, I think you do state that
20 understanding or some understanding of the contract in
21 your testimony. Is that your understanding?

22 A My understanding is that there is not
23 routinely excess capacity on the FedEx network.

24 Q I wasn't asking whether there was excess
25 capacity, but what the Postal Service is paying for.

1 Do you know if the Postal Service is paying
2 for space it doesn't use, or is it only paying a
3 certain dollar amount per unit of volume, what that
4 unit is -- pieces, pounds, cubic feet?

5 A Again, I'm not familiar with the details of
6 the contract.

7 Q You don't know?

8 A I don't know.

9 Q That makes it difficult for you to express
10 an opinion actually then on how it should be treated
11 cost-wise, doesn't it?

12 A The purpose of my testimony was to lay out
13 the theoretical structure for a declining block rate
14 as it was told to me, and that's what I provide.

15 Q Okay. So you're not aware whether when any
16 amount of additional mail volume is put on a plane the
17 Postal Service pays an extra charge for every unit of
18 additional volume, are you? You're not aware of that?

19 A Say it one more time.

20 Q Do you know if the Postal Service pays an
21 extra charge for every unit of additional volume that
22 is put on a plane?

23 A My understanding is that I believe they are
24 charged on a pound rate in the sense that when they
25 tender pounds -- and it might be cube. When they

1 either tender pound or cube to FedEx they pay on the
2 basis of how much they supply them.

3 Q So for every extra pound or cubic foot,
4 whatever it is --

5 A Yes.

6 Q -- they pay an extra charge?

7 A That's my understanding.

8 Q Okay. Now, you state on pages 6 to 7 of
9 your testimony, and I'm shifting subjects here. I
10 apologize.

11 A Okay. Sure.

12 Q On pages 6 to 7 -- the bottom of 6, top of 7
13 -- that if an air transportation network was
14 constructed primarily for one product then any non-
15 volume variable cost of the network should be included
16 in the incremental cost for that product. Is that
17 correct?

18 A That's correct.

19 Q Okay. Now, you use the term incremental
20 cost in that sentence. Is the non-volume variable
21 cost part of the attributable cost of the product?

22 A Again, attributable cost is a term that the
23 Postal Rate Commission uses, not the Postal Service.
24 The Postal Service doesn't use attributable cost in
25 the sense that the Rate Commission does.

1 I would prefer to stick to volume variable
2 incremental costs because they're well defined
3 economically. I'm not sure exactly what the
4 definition of attributable cost is economically.

5 Q Well, let me ask it this way then. Is that
6 non-volume variable cost that we're talking about with
7 a network constructed primarily for one product? Is
8 that caused by the product the network was constructed
9 for?

10 A Yes.

11 Q And that's why you would include it in the
12 incremental cost?

13 A That's correct.

14 Q And you're not comfortable with indicating
15 whether that is an attributable cost? Is that
16 correct?

17 A Well, the word attributable -- here's how I
18 would answer that. I have a fairly precise notion of
19 what I mean by volume variable cost, margin cost,
20 incremental cost.

21 Attributable cost can mean a variety of
22 different things. It certainly would be attributed --
23 small A -- to the product in the calculation of its
24 incremental cost.

25 I believe what the Postal Rate Commission

1 should use for its attributable cost is incremental
2 cost, so in that sense it should be included in the
3 incremental cost of the product.

4 MR. MCKEEVER: That's all I have, Mr.
5 Chairman.

6 CHAIRMAN OMAS: Thank you, Mr. McKeever.
7 Mr. Olson?

8 CROSS-EXAMINATION

9 BY MR. OLSON:

10 Q Good morning, Dr. Bradley.

11 A Good morning.

12 Q Bill Olson from Valpak. I want to start
13 with some general questions and perhaps put it as a
14 hypothetical. Suppose you were asked to design a city
15 carrier street time study and you wanted to do some
16 background work. Would it be important to know the
17 purpose for which the results of the study would be
18 used before you begin?

19 A It would certainly be important to know the
20 purpose of the study and what it was that you're
21 trying to calculate as the outcome of the study. It's
22 not inculent necessarily that you would need to know
23 what would be done with whatever it is you've
24 calculated if it calculated correctly.

25 For example someone might come to you and

1 say I would like you to calculate this type of cost
2 for this activity and calculating that correctly
3 wouldn't necessarily require, you know, how how it was
4 going to be used, but it could be helpful.

5 Q So to determine the purpose to which the
6 results would be used would you sometimes talk to the
7 users of the results, the people that you would
8 anticipate would use the results of your study, and
9 ask them what they were looking for?

10 A I generally don't. I mean, if you say what
11 they were looking for in terms of what it is that's
12 trying to be studied and what it is that's trying to
13 be measured, yes. I typically don't talk to people
14 about what results they expect to have or want to have
15 in advance of the study, but yeah, you would talk to
16 the person who was asking you to do the study to see
17 what was it you're trying to measure.

18 Q And what they would do with what you're
19 trying to measure?

20 A Again, in some general sense I think so.

21 Q In the case of the city carrier street time
22 study did you have those discussions with delivery
23 experts?

24 A I had discussions with delivery experts, but
25 not in terms of how the study was to be used. That

1 was more my interviewing them about changes in
2 delivery activities, and data and those sorts of
3 things.

4 Q Did you personally observe carriers and go
5 out on the street?

6 A Have I?

7 Q As part of this work for this study, yes.

8 A Now, we're talking about the 2002 study?

9 Q Well, the one that was presented in R2005.

10 A In R2005. Yes, I did. I had before that,
11 too, for other studies.

12 Q So you had seen foot routes, and per blind
13 routes and done all that?

14 A Correct.

15 Q Is there anything you learned from the
16 observations of how different routes are handled and
17 different types of mail that affected the way you
18 designed the study do you recall?

19 A Yes.

20 Q Anything you care to share?

21 A I think one of the things that came out of
22 it was the concept I did not have before that routes
23 are broken up into delivery sections and delivery
24 sections are relatively homogenous technology and
25 well-known by the carriers, and I think that

1 influenced the way that we did the study. I think
2 that's the first thing that comes to mind --

3 Q Okay. Did you have any observations about
4 the handling of sequenced letters and flats that
5 caused you to affect how you designed your study?
6 Sequenced, same meaning. Sequenced is taken directly
7 to the street by the carrier?

8 A I cannot recall any direct observation of
9 sequenced mail that influenced the way the study is
10 done. No.

11 Q Would you agree with me that if you're
12 talking about sequenced mail -- and that presupposes
13 that it's saturation mail, let's just talk about ECR
14 saturation letters or flats -- that when you have
15 additional volume that you tend to get it in a big
16 chunk? In other words we just talked with Witness
17 Coombs about 75 percent coverage of the actual
18 addresses or 90 percent coverage of all addresses.

19 In other words if you have a rate induced
20 additional volume it's going to come in a chunk, it's
21 not going to be just a couple of pieces. Would that
22 be a fair statement?

23 A Now, we're talking about for an individual
24 route?

25 Q Yes.

1 A Yeah. For an individual route my
2 understanding would be at least 75 percent of the
3 addresses.

4 Q Okay. So if you had a route with 500 stops
5 you're likely to get 450 for example pieces if there's
6 an additional saturation mailing, correct?

7 A Correct. On the day that the mailing is
8 delivered there would be up to 500 or more pieces.

9 Q When you have rate induced volume changes of
10 that size does that help you in terms of the
11 econometrics of it of being able to sort out the cost
12 affect of a change in volume? Does it matter?

13 A I think I would like to distinguish between
14 what you suggested was a rate induced increase and the
15 fact that the mail arrives in bunches. I don't know
16 that they're necessarily the same thing at least in my
17 mind. A rate induced increase might be say a five
18 percent increase or 10 percent increase in mailing by
19 saturation mailers so that they may go to more
20 addresses or those large mailings may occur with a
21 higher frequency.

22 It's not so much that there was none before
23 and then you just get this one day. So I think in
24 calculating the cost affect what we would do, we would
25 say what would be the impact of having more of these

1 types of mailings, five percent more, or 10 percent
2 more, or whatever the case may be, in the delivery
3 network.

4 So I don't know the fact that it comes in
5 per route 500 piece increments per se is helpful or
6 unhelpful in that regard.

7 Q Have you ever thought about that before?

8 A I had thought about the fact that this
9 mailing does occur in roughly speaking zeros and ones
10 or a number of these, it does or it doesn't in terms
11 of the estimation, but I don't know I thought about
12 the rate induced portion of it.

13 Q Well, when we talk about changes in cost
14 based on changes in volume isn't most of what we're
15 talking about rate induced changes responses to rates?

16 A The Commission has always indicated that
17 what we're trying to measure here is the sustained
18 change in cost from a sustained change in volume, so
19 it would indeed be national changes in volume and they
20 could be rate induced, but they could be induced by
21 GP, or population growth, or something like that, but
22 certainly rate changes are an influence on volume I
23 would assume.

24 Q Now, let's talk specifically about your
25 study that you presented in R2005-1.

1 A Okay.

2 Q That was in the form of your testimony T-14.

3 Is that correct if you recall?

4 A I accept it.

5 Q Do you happen to have that with you?

6 A I don't.

7 Q Your testimony in this case said if I could
8 characterize it or summarize it that the decision by
9 the Commission criticizing in some respects your
10 methodology came too late for you to do anything about
11 it to incorporate into any analysis of base year in
12 this docket. Is that reasonable?

13 A That's correct.

14 Q Okay. You don't happen to have that with
15 you. I have my whole notebook from last time. I
16 saved it. I thought we might need it again. If I
17 could show you two pages from your testimony if that
18 would be okay with counsel, and I'm referring to
19 Docket No. R2005-1, USPS-T-14, the testimony of
20 Michael Bradley, pages 18 and 19 I believe.

21 A Thank you.

22 Q It's at Section B, beginning at the bottom
23 of 18 and going on to 19. Do you see that?

24 A I do. Okay.

25 Q From what I recall of what it says you talk

1 about measuring volumes by shape in there and you
2 state the reasons that you measure volume by shape as
3 opposed to something else I guess. Isn't that
4 correct?

5 A Correct.

6 Q You give four reasons for them, correct?

7 A Correct.

8 Q Do any of those four reasons have anything
9 to do with the purpose for which the analysis was made
10 or the uses for which your results will be used?

11 A I believe if you would go to the fourth
12 reason, and since I have it I'll read it to you.

13 Q Thank you. I don't have it.

14 A It says: (4) the CCS data collection effort
15 which collects volume data by class and subclass also
16 collects volume by shape. Collecting volume by shape
17 in the study facilitates the use of the CCS data
18 instruction distribution key. So the purpose of my
19 study was to calculate the variabilities that allow
20 the Postal Service to calculate cost pools and then
21 ultimately those cost pool volume variable costs to
22 products.

23 So the fact that the CCS system, which is
24 the system that they use to distribute costs to
25 products, has shape information was an important

1 consideration in forming the volume data that we
2 wanted for this study which facilitated the use of my
3 study in the overall calculation of volume variable
4 cost per piece.

5 Q Then that was one of the reasons you
6 measured pieces by shape?

7 A That was one of the reasons. That's right.

8 Q Okay. I'll get that back later. You may
9 need it again. Let's look at your response to our
10 Interrogatory No. 11. I was looking at your responses
11 from the last docket. Let me go to this docket. We
12 asked you about two different mailings. One was
13 addressed flats and one was unaddressed flats with a
14 DAL that was not cased, correct?

15 A Correct.

16 Q We asked you about those two to see if they
17 might have different marginal street costs and in your
18 answer in your second sentence you said such an
19 analysis was not required for developing total volume
20 variable costs by class, correct?

21 A Correct.

22 Q When you say by class would you perhaps have
23 meant subclass in this case?

24 A Sure. Sure.

25 Q Okay. So your purpose was narrowly focused

1 on getting costs for subclasses. Is that what you're
2 saying?

3 A Let's go back. The purpose of the Postal
4 Service product cost model is to produce costs by
5 class and subclass. The purpose of my study was to
6 contribute to that calculation. So as you were asking
7 earlier about the use of the study in the sense that
8 the Postal Service was going to use this to calculate
9 volume variable costs for classes and subclasses as
10 the ultimate purpose then what I did was necessary to
11 fit into that.

12 I think I've forgotten the rest of your
13 question. Could you say it again? I'm sorry.

14 Q Well, what I'm trying to get at is that you
15 seem to be indicating that you say you didn't do any
16 analysis of the relative costs of a one piece
17 addressed flat mailing versus two piece unaddressed
18 flat mailing with CAL because that wasn't part of your
19 mission, it wasn't required for developing total
20 volume variable costs by subclass. We'll add that
21 word subclass, okay?

22 A Sure. Sure.

23 Q So that was your purpose, correct?

24 A Okay. My purpose was to calculate the
25 volume variability that would be applied to the cost

1 pool in city carrier analysis that could be then used
2 to distribute costs to classes and subclasses. So the
3 study that we're referring to in R2005-1 was primarily
4 a variability study whose goal was to calculate
5 variabilities for delivery time, and parcel count
6 delivery time and so forth.

7 So that was the purpose of my study. It was
8 then used as part of the Postal Service's product
9 costing mechanism.

10 Q Well, I'm trying to get at the purpose of
11 your study was at the class and subclass level,
12 correct?

13 A Well, again, I think we're getting -- no.
14 Let me try to clarify this. The purpose of my study
15 -- okay. First of all I'm looking at city carrier
16 street time, okay? So Witness Stevens broke city
17 carrier street time into cost pools. The purpose of
18 my study was to address the variabilities that we
19 attached to those cost pools.

20 Then subsequently those volume variable
21 costs are distributed to product classes and
22 subclasses. So in terms of the Postal Service's
23 overall mechanism to say let's get the cost for first-
24 class single piece, that's what I meant by cost by
25 class or subclass. The question that was asked in

1 this interrogatory said did you look at one versus two
2 pieces mailings?

3 My understanding was that both of the
4 mailings that were suggested in the question were of
5 the same class or subclass. So as long as the total
6 costs for both types are in that cost pool we talked
7 about before then we've done our job of getting the
8 right costs to the right subclass.

9 Q Okay. Which is exactly what you say in the
10 rest of your answer and that's totally consistent with
11 what I think I'm describing as you were concerned at
12 the level of class and subclass rather than below that
13 level down to -- see, that's the point I'm trying to
14 make -- products, or rate cells, or anything like
15 that?

16 A That's correct. I'm with you.

17 Q Okay. In the middle of that answer you have
18 a sentence. You say moreover, establishing the
19 standard for importance can be itself problematic.
20 Were you aware of the fact that your variabilities
21 could be used below the subclass level and that having
22 a good understanding of the way that carrier costs
23 change in response to changes in volume is important
24 below the subclass level at the product level?

25 A I'm certainly aware that the Postal Service

1 has taken those class and subclass costs and
2 disaggregated them to I would call them rate
3 categories, if that's okay, within that. Yes. I
4 think that it's always useful to have, you know, as
5 much understanding as one can have of the underlying
6 forces that determine it.

7 Q It sounded like you were saying that the
8 Postal Service later used your variabilities to
9 disaggregate costs by rate category, but that wasn't
10 what you were tasked to do or what you did?

11 A I'm not sure they used the variabilities as
12 much as they used the volume variable costs. They may
13 have explicitly used the variabilities. I'm not sure.
14 My understanding is they take the volume variable
15 costs for Class X and then break that into the amounts
16 that go to the rate categories that make up Class X,
17 but that was not the focus of my study. That's
18 correct.

19 Q Okay. Let's look at our Interrogatory No.
20 10. We asked you a series of questions about base
21 year 2005.

22 A Correct.

23 Q Your testimony really answers this which is
24 to say you did not present any cost data or analysis
25 of base year 2005 for the reasons you say in your

1 testimony, correct?

2 A Correct.

3 Q Okay. Let's look at part of your answer
4 anyway. You say moreover, even in the last case my
5 testimony analyses were focused on measuring the
6 elasticity of delivery time and distributing the
7 volume variable street time costs to classes of mail.
8 There could we also add subclasses?

9 A Certainly.

10 Q Okay. Not rate categories?

11 A Correct.

12 Q Okay. Does your study assist us in
13 understanding how cost drivers operate for rate
14 categories?

15 A How cost drivers -- yeah.

16 Q Let me give you one illustration and we'll
17 come back to this, but with respect to sequenced mail
18 isn't it true that the way you define sequenced mail
19 includes both letters and flats?

20 A Yes. Actually, when you asked me that first
21 question from my testimony the last time I was afraid
22 that I should really interrupt you at that time and
23 make clear that the term shape as I used it in the
24 last case isn't necessarily shape in the traditional
25 letter, flat, parcel definition.

1 Shape is defined by what delivery used as
2 shapes, and so yes, got to be a little careful that it
3 wasn't necessarily just -- what I'm trying to get at
4 is the term sequenced mail was a shape in the sense
5 that it was a separate cost driver in delivery. As
6 you just pointed out it's made up of both what you and
7 I both know as letters and flats, those traditional
8 shapes, but the way I was using shape there really was
9 the way it's used in delivery operations.

10 Q So you're saying that in delivery operations
11 it's of no consequence to a carrier as to whether a
12 piece is a letter shaped, or a flat shaped, if they're
13 both sequenced the key is it's a sequenced piece?

14 A In delivery operations the way they
15 calculate workload is to calculate whether or not it's
16 a sequenced piece. They don't record whether it's a
17 letter or flat. I can't speak as to whether it's no
18 consequence to the carrier. I didn't suggest that,
19 but I did want to suggest that in the Postal Service's
20 own workload measures they give the carrier a credit
21 for a sequenced piece the same amount whether it's a
22 letter or flat and that's what we mimicked.

23 Q So when you designed your study weren't you
24 operating -- I mean, you're trying to measure changes
25 in time of handling these various kinds of pieces,

1 correct? I mean, you're not talking about
2 compensation of a carrier, you're talking about how
3 much time it takes.

4 A In our study what we were measuring is the
5 rate at which -- particularly I think what you're
6 focusing on is delivery time varies with changes in
7 the cost drivers which are what I loosely defined here
8 as shapes, but the workload, the cost drivers in
9 delivery.

10 Q Okay. What I'm trying to focus on is for
11 sequenced pieces the way you mimic I think you said
12 the compensation --

13 A No, no. Workload. Workload.

14 Q Okay. Workload. Aren't you assuming that
15 it takes the same amount of time for a carrier on the
16 street to deliver a letter and a flat?

17 A I believe you're talking about a sequenced
18 letter and flat?

19 Q Yes. Exactly.

20 A What we're saying is that the margin --
21 that's true -- that the margin, the additional time
22 for a sequenced letter or a flat is the same. It is
23 an assumption. Yes.

24 Q It's not a conclusion of your study. You're
25 assuming that at the outset when you designed your

1 study, correct?

2 A Yes.

3 Q Let me ask you to look at your response to
4 our Interrogatory No. 22.

5 A I only have 17.

6 Q Well, actually it's in the old docket. I'm
7 sorry. I am getting these sets of interrogatories
8 confused. If you had written different testimony -- I
9 guess we could ask you all the same questions we asked
10 you last time and you could give all the same answers.
11 Wouldn't be far from true would it?

12 A (No response.)

13 Q Is that a yes?

14 A I'm not sure I understand that question.

15 Q If we addressed all the interrogatories
16 about your study that you introduced in R2005-1 then
17 your answers would probably --

18 A Be the same data. That's correct. Yes.

19 Q That's what I meant.

20 A Okay.

21 Q It was a silence that was deafening.

22 A I just didn't understand it. Sorry.

23 Q I'm sorry. My fault. Let me find this
24 interrogatory. I'm going to skip that because I'm
25 reading my notes wrong here. What I want to focus on

1 is what your study was used to accomplish by another
2 witness and we'll see how far we go before we have any
3 problems with this. Let me ask you did you ever check
4 the way your study results were used by the Postal
5 Service to determine whether you thought they were
6 reasonable?

7 A Whether the use of them was reasonable or
8 whether the results themselves were reasonable?

9 Q Well, I was asking the second question
10 first, whether the way they were used was reasonable.

11 A I'll tell you what I know. My understanding
12 is that they were used to apply to cost pools and then
13 distributed to class and subclass. I think that is
14 reasonable. Yes.

15 Q Okay. Whenever you answer a question that
16 way you always get asked a question, but did you check
17 your own results for reasonableness?

18 A Yes. Yes.

19 Q Did you have any occasion to throw any
20 results out, or to question them, or was everything
21 reasonable?

22 A Well, in my testimony I have the entire
23 research path that I used to come to the final
24 results, and I don't have that recollection right now,
25 but --

1 Q Your testimony from the prior docket?

2 A 2005-1. So that laid out the process I went
3 through step by step and everything I ran.

4 Q I'm sure I asked you questions about it
5 then.

6 A I think you probably did.

7 Q I don't recall that answer, but in this
8 docket Witness Kelley in his testimony T-30, well,
9 actually it was in response to our Interrogatory
10 Valpak-22, which no reason for you to have ever read,
11 but he did this and then I'll ask you to comment on it
12 if you want to. He developed a street cost for ECR
13 letters and the DPSed letter street cost was 1.81
14 cents and the sequenced letters was 1.22 cents. Do
15 you have that in mind?

16 A Just give it one more time? 1.81?

17 Q The ECR DPSed letters was 1.81 cents.
18 Technically what he called that was ECR non-SAT DPS
19 letter, no DAL. Okay?

20 A Okay.

21 Q Then the street cost for ECR sequenced
22 letters was 1.22 cents. He called that ECR SAT letter
23 sequenced.

24 A Okay.

25 Q Okay. Now, looking at those two the DPSed

1 letters which if you'll accept my math are 48 percent
2 higher than the cost of sequenced letters.

3 A Okay.

4 Q Look about right?

5 A Okay.

6 Q Now, with respect to reasonableness checks
7 do you have any observations for the reasonableness of
8 these unit costs developed in reliance in part on your
9 study?

10 A Well, these are in cents, right? 1.8 cents?
11 1.22 cents?

12 Q Yes. Exactly.

13 A Most of my study as you said earlier was
14 focused on measuring time changes, not cost changes,
15 but as I recall the marginal time for a letter shaped
16 piece was in the ballpark of one to two seconds, and
17 so if we could assume that the labor cost of -- that
18 seems high, postal second -- a postal second is about
19 a cent these seem to be in the ballpark of one to two
20 cents off. Like you said 1.8 cents and 1.22 cents,
21 and so --

22 Q Yes. If the carrier compensation rate was
23 around \$36 and there was 3,600 --

24 A Yeah. 3,600. Yeah. So that would work out
25 to be in the same ballpark.

1 Q Okay. I appreciate that the one to two
2 cents is the ballpark. My question is comparing the
3 two if you do a reasonableness analysis, which I mean,
4 that's part of econometrics isn't it?

5 A We hope.

6 Q We all hope. When you get to the end you
7 take a look at what happened and I mean, you in your
8 answers to similar questions talked about the priors,
9 the prior beliefs.

10 A Right. Right.

11 Q So at the beginning you think about what's
12 it likely to look like at the end?

13 A Correct. Sure. Sure.

14 Q At the end you look at it and you say what
15 did I do, correct?

16 A Right.

17 Q Okay. So at the end here looking at what
18 happened as a result of the study my question is do
19 you have any comments on reasonableness looking at
20 these two numbers?

21 A I haven't really done a full careful
22 analysis of the differentials, but I would say they're
23 certainly within the bounds of reasonableness because
24 what the Postal Service is measuring is what I would
25 call the actual cost of delivery, not the specific

1 operational cost. So these numbers would reflect not
2 only strict operational considerations, but things
3 like where is Mail A relative to Mail B likely to be
4 delivered?

5 Is it going to be curb lined routes or foot
6 routes? Is it more likely to be delivered by itself
7 or with other mail? So I would say there are delivery
8 mail characteristics as well as operational
9 characteristics that come into play that could cause
10 one or the other to be higher than the other by I
11 think about six-tenths of a cent.

12 Q Okay. Focused on operational cost
13 characteristics are there any you can think of that
14 would cause the cost of a DPSed letter, the main
15 bundle of letters that a carrier takes to the road, to
16 be more expensive than the extra bundle that they take
17 out?

18 A Sure. One example might be let's suppose
19 DPS letters tend to go to stops with fewer average
20 pieces per stop than sequenced letters, okay? So if
21 DPSed letters tend to go to a stop let's say by itself
22 more often than the entire delivery time -- let's say
23 it's a curb lined route -- opening the box, getting
24 the mail, bringing it back in, closing it, getting
25 ready for the next one, all that time would go with

1 the DPSed ECR letter whereas let's suppose that ECR
2 sequenced letters tend to occur at stops that are
3 already getting other mail.

4 Well, in that case the marginal time would
5 only be the additional time to just get it out of its
6 tray and add it to that whole bundle because all the
7 time of opening up the door, putting the bundle in the
8 door, that's shared by all of them. So there's an
9 operational characteristic which could allow ECR
10 sequenced letters to be less than ECR DPSed letters.

11 Q Are you testifying of your own knowledge
12 that's true or are you simply saying this is a
13 possibility?

14 A It's a possibility. You asked me how it
15 could be.

16 Q You were here when I cross-examined Mr.
17 Kelley I believe weren't you?

18 A I wasn't.

19 Q You weren't?

20 A No.

21 Q I've seen you --

22 A I have a familiar face.

23 Q Someone that looked like you. Do you have
24 an opinion as to whether sequenced mail or DPSed mail
25 would more likely be the only piece going to a

1 particular address?

2 A No. I haven't really studied this issue.
3 You were just asking me for possible reasons one could
4 be higher than the other and that's just a reason.

5 Q Had you prior to me giving you the numbers
6 you just wrote down there, had you looked at those
7 numbers before?

8 A I had seen numbers similar to this. Yes.

9 Q Didn't shock you or amaze you?

10 A No. As I said I think they're within the
11 bounds of reasonableness.

12 Q Because they're around one or two cents?

13 A Well, they're in the right ballpark, and I
14 think that there are sufficient differentials,
15 potential differentials in the way that DPSed ECR mail
16 versus sequenced ECR mail could be delivered that
17 could cause this amount of cost difference because
18 we're measuring the cost at the margin.

19 Q Well, let's assume that I gave you numbers
20 from Mr. Kelley that were the reverse of this and that
21 it showed that DPSed letters in the main bundle were
22 the most cost efficient in terms of street time to
23 deliver, they were therefore the cheapest and the
24 DPSed bundle was 1.22 cents and when the carrier had
25 to reach over and find the other pieces and put it

1 with it that cost more. Let's assume that.

2 You were here a moment ago when we did
3 Witness Coombs, right?

4 A Right.

5 Q Okay. So suppose you had looked at those
6 results. Would that have shocked you with respect to
7 reasonableness or would you think that could be
8 reasonable also?

9 A That these two could be reversed?

10 Q Yes.

11 A I think that's also within the bounds of
12 reasonableness. Yes.

13 Q Okay.

14 A Yes. As I was trying to suggest I think
15 there's a sufficient variety of factors that underlie
16 these numbers that go beyond the description of what
17 the carrier does in the vehicle that could cause such
18 a differential.

19 Q Well, this is going to be my final long line
20 of questions, but it has to do with your response to
21 No. 12. I'm going to ask you to look at that.

22 A Okay.

23 Q We asked about you comparing DPSed letters
24 and cased flats, correct?

25 A Yes. Yes.

1 Q You came back, and this is where you get
2 into the prior beliefs issue, and you say it would be
3 hard to form a prior belief because there are a
4 variety of cost causing activities on the street and
5 some may favor DPSed letters, some may favor as you
6 put it cased flats, correct?

7 A Uh-huh.

8 Q Okay. I'm going to ask you to pretend with
9 me that this question was not about DPSed letters and
10 cased flats.

11 A Okay.

12 Q I'm going to ask you to pretend with me we
13 had asked you a better question which we should have
14 asked you which is about DPSed letters and sequenced
15 letters.

16 A Okay.

17 Q Now I'm getting back to my 1.22 and 1.81
18 numbers, okay?

19 A Okay.

20 Q Would your answer have been substantially
21 the same?

22 A Yes.

23 Q I thought so. If we try to understand, I
24 mean, between the word examples down about six lines
25 through the phrase motorized and foot routes you lay

1 out with what I've divided up as eight separate cost
2 causing activities that could cut either way, and if
3 you don't mind I'd like to explore those with you to
4 see how you think they would cut in terms of your
5 term, favored, DPSed letters or sequenced letters.

6 A Okay.

7 Q The first one that I find on this list is it
8 says examples of these cost causing activities include
9 driving along the route sections. I'm going to do
10 walking in a second.

11 A Well, I meant them together. I meant them
12 driving or walking.

13 Q Okay. Now, then tell me if you would as
14 between DPSed letters and sequenced letters what the
15 cost causing activities, how they would cut for
16 driving or walking the route sections?

17 A Sure. This gets into whether or not the
18 pattern of delivery is such that ECR sequenced letters
19 tend to be delivered more on driving routes or on
20 walking routes because generally the cost associated
21 with delivering a piece would be cheaper on a driving
22 route than a walking route because you can do it
23 faster.

24 So for example if ECR sequenced letters
25 would tend to be delivered more on driving routes as

1 opposed to walking routes relative to ECR DPSed
2 letters then that would favor ECR sequenced letters.

3 Q If it were the other way it would tend to
4 favor DPSed?

5 A Correct. Vice versa. That's right.

6 Q You don't know one way or the other? It's
7 one of those things that it just could be a cost
8 causing --

9 A Right. It's one of the things that's
10 complex in forming the priors that I referred to in my
11 answer to your question.

12 Q Okay. Then you've got preparing mail for
13 delivery on foot sections.

14 A Correct.

15 Q How does that cut?

16 A Well, again, it depends upon within routes
17 now how much mail for one or the others delivered on
18 the foot sections and then to what extent it's more or
19 less expensive to prepare the mail, you know? What
20 I'm referring to there is going to the back of the
21 vehicle, getting it ready, putting up on the tray and
22 all that kind of stuff.

23 Again, I don't have an operational story of
24 one is cheaper or the other, it's just an example of
25 the kind of things that add to this complexity.

1 Q Do you know if anyone has ever studied these
2 issues at the Postal Service? The type that you're
3 now describing? The fact that ECR sequenced letters
4 that go directly as a third bundle could be different
5 than DPSed letters? The profile of that mail?

6 A I don't know of any such studies. You know,
7 I can't testify as to whether or not they've ever done
8 such studies, but I have never seen them.

9 Q Well, I mean, for example they're DPSing a
10 lot of ECR saturation letters now. Is that your
11 understanding? As the process of DPSing more and more
12 letters comes into play more and more of those
13 saturation letters are being DPSed? Are you aware of
14 that?

15 A I accept it.

16 Q So it's a Postal Service operational
17 decision as to whether they're DPSed or taken out of
18 the third bundle, correct?

19 A Correct.

20 Q So isn't it unlikely that there would be
21 this type of bias in cost causing activities depending
22 on what the Postal Service operational choice happened
23 to be as to whether to DPS it or take it out as a
24 third bundle?

25 A Well, I think that choice would depend upon

1 a lot of factors. Generally speaking I think that
2 choice would depend upon mail processing costs,
3 transportation costs, as well as delivery costs and I
4 think it also depends upon what other technology the
5 Postal Service is using. So I think, I think -- I'm
6 really not an expert in overall postal policy, but my
7 sense is that those types of decisions are made if I
8 can use the word in a more holistic view.

9 I think they tend to look at the overall set
10 of activities to decide what's the best way to
11 proceed.

12 Q Okay. You're not aware of a general policy
13 to nationwide DPS as much letter mail as possible as
14 contrasted with a holistic approach to --

15 A Well, I mean, I think the decision to DPS
16 would be based upon looking at a broad variety of
17 factors. Mail processing costs, delivery costs,
18 transportation costs and so forth. That's what I
19 meant by a holistic view. As to whether or not the
20 outcome of that general process is a particular policy
21 I don't know so much about saturation mail per se, but
22 certainly I think they are increasing their DPS rates
23 through time. Yeah.

24 Q Okay. So you don't know if the policy is to
25 DPS ECR saturation mail or not as a general rule?

1 A I don't know.

2 Q Or were possible? Don't know that?

3 A No.

4 Q Going back to this No. 12 the way we asked
5 it where we say and where we ask you to contrast an
6 additional letter that's DPSed versus an additional
7 flat that's cased let's just talk about the letter
8 flat combination within sequenced mail.

9 If you had that to do over again realizing
10 now having heard the testimony of Witness Coombs for
11 example about letters and flats and how they're
12 handled in a vehicle for example would you think that
13 there may be merit to studying sequenced letters and
14 sequenced flats separately?

15 A Well, I really hate to precommit myself to
16 any particular approach, but I certainly would talk to
17 her and other operational experts to see if there was
18 reasonably that the variabilities with respect to
19 those could be different. I might consider the
20 possibility of whether we get accurate data for
21 letters or flats possibly because I can tell you as a
22 person who do study you don't always have the complete
23 freedom to pick whatever variables you want.

24 Sometimes you're limited about what data are
25 available, but I think I would investigate the

1 possibility as to whether or not those data are
2 available. So I mean, I certainly would think as a
3 result of her testimony and our discussion I would
4 contemplate it if I was starting a de novo on a study
5 now. Yes.

6 MR. OLSON: Okay. I'm going to consider
7 that a victory and go home.

8 Thank you, Mr. Chairman.

9 CHAIRMAN OMAS: Thank you, Mr. Olson.
10 Is there any follow-up cross-examination?
11 Mr. Costich?

12 MR. COSTICH: Thank you, Mr. Chairman. I
13 have both follow-up and a new area which I have
14 informed counsel and the witness of, so I hope I will
15 avoid objections this time.

16 CHAIRMAN OMAS: Thank you.

17 CROSS-EXAMINATION

18 BY MR. COSTICH:

19 Q In terms of follow-up, Professor Bradley,
20 counsel for Valpak quoted your testimony as to why you
21 hadn't done further studies for this docket compared
22 to the last docket and I believe you had said there
23 just wasn't enough time between the Commission's
24 opinion and the need to provide variability estimates
25 for the base year. Is that right?

1 A I believe he paraphrased it. Yes.

2 Q Have you done anything else since then up
3 until now?

4 A No. In terms of carrier? I've done other
5 things, but in terms of carrier studies I have not
6 done another study of carriers up until now. No.

7 Q Also, counsel for Valpak had a discussion
8 with you about whether your variability estimates were
9 for shape or class. Do you recall that?

10 A I don't recall that specific question.

11 Q The variables in your long model are shapes,
12 correct?

13 A Again, shapes with the footnote that shapes
14 are defined here by operation workload definitions,
15 not in the traditional sense that you think of
16 originating mail, but with caveat, yeah.

17 Q They're not first-class, or periodicals, or
18 standard?

19 A Correct.

20 Q I think you have five volume variables in
21 one of your models. Is that correct? I'll list them
22 if you --

23 A I believe five is right.

24 Q Letters, flats, small packages, collection
25 and sequence?

1 A Collection mail and sequence. Five. Yes.

2 Q Can you tell me why there's only one
3 variable for collection mail?

4 A Well, there's a variety of reasons that a
5 single collection mail variable is included. It's
6 been a while since I specified the study, but my
7 recollection is that collection mail was the sole
8 variable in previous Commission practice, that there
9 had only been a collection mail variable, and so I was
10 following that.

11 Also, I think perhaps from a data
12 perspective we were probably more confident that we
13 could get an overall collection mail variable as
14 opposed to collection mail by individual shapes. I
15 guess the third thing is that generally collection
16 mail tends to be taken together out of the receptacle
17 and taken back to the station. So that would be a
18 third reason for using, not for the disaggregating.

19 Another reason actually gets to the
20 difficulty of estimating a model when one starts to
21 increase a number of right-hand side variables that as
22 one starts to break things like sequence or collection
23 mail into smaller and smaller subcategories and then
24 tends to estimate co-efficients for them it becomes
25 very difficult to do so.

1 Q If you knew that collection volume mimicked
2 delivery volume in the sense of shape proportions,
3 that is for collection volume had the same proportion
4 of letter shaped mail as delivered volume, same
5 proportion as flats and small packages, would you
6 think that there would be a need to separate those
7 variables?

8 A I really haven't thought about that issue.

9 Q Collection mail is all pulled out of the
10 customer's receptacle in one motion, correct?

11 A Uh-huh. Generally.

12 Q If one were collecting a large number of
13 large parcels one would not be able to do that?

14 A Correct. Agreed.

15 Q You have a separate equation for estimating
16 variabilities for accountables and large packages. Is
17 that correct?

18 A For the delivery of them. Yes.

19 Q You don't have any separate variable for the
20 collection of large packages?

21 A That's correct.

22 Q If you were to discover that the Postal
23 Service is collecting a significant number of large
24 packages from customers would you think that would be
25 an important cost causing variable to include in your

1 models?

2 A It's a judgment call because as I tried to
3 indicate earlier there are always trade offs between
4 more specificity in the number of variables and the
5 ability to estimate those separate co-efficients. I
6 think one would really need to know things like how
7 often this occurs, is it important enough that it's
8 worth the money to collect extra data and those sorts
9 of factors.

10 So if someone came to me and said in the
11 current environment or whatever environment we want
12 you to study we have dramatically increased the number
13 of parcels that we're collecting than we have in the
14 past I would certainly take that in consideration in
15 thinking about how to go forward.

16 Q In terms of the collection volume data that
17 was given to you do you know whether the shape was
18 ever recorded for that collection volume?

19 A I just don't recall.

20 MR. COSTICH: No further questions, Mr.
21 Chairman.

22 CHAIRMAN OMAS: Thank you, Mr. Costich.

23 Is there anyone else who wishes to cross-
24 examine the witness?

25 (No response.)

1 CHAIRMAN OMAS: If not, Mr. Bradley, I have
2 a question for you. On August 11, 2006, the Postal
3 Service provided the Commission with a status report
4 on the replication of your city carrier studies from
5 Docket No. 2005-1 with data collected after 2002.

6 THE WITNESS: Correct.

7 CHAIRMAN OMAS: Okay. They stated that
8 would be available in five to seven weeks. Are you
9 involved in the updating of that study?

10 THE WITNESS: I'm not yet. I would
11 anticipate at some point being so, but not yet.

12 CHAIRMAN OMAS: Not yet. Well, when do you
13 see yourself becoming involved? I mean, five or seven
14 weeks from August 11 is sort of not that much time.

15 THE WITNESS: I would agree it's not much
16 time from my perspective because what I need to do as
17 we've been talking about earlier is once I've got the
18 data then I have to do the econometrics on it, and I
19 have yet to receive the data.

20 CHAIRMAN OMAS: So you have nothing that you
21 could share with us at this point? You haven't seen
22 anything?

23 THE WITNESS: I do not. I can't do anything
24 until I have the data.

25 CHAIRMAN OMAS: I was looking for either a

1 yes or a no and obviously they got an in between.

2 Mr. Koetting, can the Commission expect to
3 see this report by five to seven weeks?

4 MR. KOETTING: I think that according to the
5 status report I don't have much additional information
6 to offer, but I think it was encouraging at the time.
7 We thought we were on track to meet the schedule that
8 we set out when we started and --

9 CHAIRMAN OMAS: Well, it's very important
10 that we get that before the record closes, and since
11 you gave us a city carrier study that's old data and
12 you're running one we'd like to see it before this is
13 over with. I mean, it doesn't do us a darn bit of
14 good in this case.

15 So I would appreciate very much if you would
16 provide us with an answer whether or not you're on
17 track or not and emphasize to those involved that we
18 are very much looking forward to be presented to us in
19 we'd love five weeks, but if it takes seven, okay.

20 MR. KOETTING: I will check back, Mr.
21 Chairman. I am reasonably optimistic.

22 CHAIRMAN OMAS: I'm giving you time to come
23 back to me. Thank you.

24 If there's no additional cross-examination,
25 Mr. Koetting, would you like some time with your

1 witness?

2 MR. KOETTING: Thirty seconds, Mr. Chairman?

3 CHAIRMAN OMAS: Absolutely.

4 Mr. Koetting?

5 MR. KOETTING: Thank you, Mr. Chairman. The
6 Postal Service has no redirect.

7 CHAIRMAN OMAS: Thank you, Mr. Koetting.

8 Dr. Bradley, that, again, completes your
9 testimony here today. We appreciate your contribution
10 to the record, and you're now excused.

11 THE WITNESS: Thank you.

12 (Witness excused.)

13 CHAIRMAN OMAS: This concludes today's
14 hearing. We will reconvene Thursday morning at 9:30
15 a.m. when we will receive testimony from Postal
16 Service Witnesses Cutling, Mitchum and Smith. Have a
17 nice afternoon.

18 (Whereupon, at 12:16 p.m., the hearing in
19 the above-entitled matter was adjourned, to reconvene
20 on Thursday, August 24, 2006, at 9:30 a.m.)

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REPORTER'S CERTIFICATE

DOCKET NO.: 12663-1
CASE TITLE: Postal Rate and Fee Changes
HEARING DATE: 8/22/06
LOCATION: Washington DC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Rate Commission

Date: 8/22/06

Emmeline D. Herborn

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